The Governor's Commission

on

Efficiency, Consolidation, and Funding

Final Report

Bob Riley
Governor

Mike Warren
Chair

Charles McCrary
Vice Chair

Subcommittee
On
Commerce

Kay Ivey

GOVERNOR'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

Wm. Michael Warren Jr., Chairman
Chairman & CEO
Energen Corporation

Charles D. McCrary, Vice Chairman
President and CEO
Alabama Power Company

January 12, 2004

The Honorable Bob Riley
Governor of Alabama
State Capitol
Montgomery, Alabama

Dear Governor Riley:

On behalf of the 37 members of the Efficiency, Consolidation and Funding Commission created by executive order, we are pleased to present this report of our findings and recommendations.

Unfortunately, we did not find the "silver bullet" answer to the financial problems facing the General Fund. And any substantial cost cutting in the fifty percent range that has been mentioned would result in serious and detrimental impacts on state government's ability to provide core functions. The role of government is to serve the people. It is not the intent of this Commission to endorse any change in state government that would, in operation, force an abdication of the state's responsibilities to its citizens. It is critical that every recommendation in this report be judged by this criterion: Will the change bring efficiency and allow the full discharge of the state's responsibility to its citizens?

It is important that those who govern understand the nature of the document that is presented here. The report contains the work of each of the five subcommittees and a summary generated by the chairs of the subcommittees collectively. This is the culmination of many hours of dedicated work by the members of the Commission and is based on the input received from many sources. The cooperation of the state agencies and departments was an integral part of this process. In addition, we had the benefit of suggestions and numerous comments from state employees and the public. The Commission worked within a short time frame to provide an outline that must be filled in by those who govern.

As Chairman and Vice-Chairman of your Commission, we are happy to have served in the role of administrators of the operations of the Commission, and wish to publicly acknowledge those who generated the work reflected in the report. We present this work in the spirit of consensus that was pervasive throughout the Commission process. With literally hundreds of people providing input for the Commission's findings one cannot expect, nor would one find, unanimity among Commission members in endorsement of every recommendation. Likewise, no particular recommendation carries the endorsement of the Chairman or Vice-Chairman. No particular recommendation should be seen as primary. Rather, the report as a whole constitutes possible solutions that, when applied rationally, may help to solve some of the problems facing the General Fund.

The Commission is confident that its work has yielded many suggestions that can save the state tens of millions of dollars and bring greater efficiency to government in the long run. We urge those who ultimately have the responsibility of governing our state to take seriously the work of this Commission, and to use the hard work and long hours of the Commission to help improve the quality of life for all Alabamians.

Very truly yours,
Wm. Michael Warren, Jr.
Chairman

Charles D. McCrary
Vice Chairman

Office of the Governor

BOB RILEY
Governor

Press Office

STATE OF ALABAMA

October 23, 2003

EXECUTIVE ORDER NUMBER 12

WHEREAS, Alabama faces a projected $273 million shortfall in the 2004-05 General Fund budget; and

WHEREAS, public cynicism and distrust of government have caused the people of Alabama to demand an end to duplication of government services, wasteful spending and corruption, and for government to be a better steward of tax dollars; and

WHEREAS, the present financial crisis requires designing a solution that will address the financial needs of the state while restoring the public trust in government;

NOW THEREFORE, based upon those considerations, and for other good and valid reasons which relate thereto, I, Bob Riley, Governor of the State of Alabama, by virtue of the authority vested in me by the Constitution and laws of the State of Alabama, do hereby create the Commission on Efficiency, Consolidation, and Funding (the "Commission").

BE IT FURTHER ORDERED that the Commission which will be appointed by and serve at the pleasure of the Governor, shall be comprised of respected Alabamians--including leaders in business and industry, legal experts, leaders in the academic community, former or current public officials, and others who represent Alabama's best and brightest.

BE IT FURTHER ORDERED that the Commission is to examine the general agencies and functions of state government, excluding education; to establish the essential purposes of government, to consolidate functions and agencies, to end duplication, to streamline processes, to cut costs, and to establish fair and effective funding mechanisms for necessary services.

BE IT FURTHER ORDERED that the Commission shall be divided into the five following committees:

1) Government Operations and Accountability;
2) Commerce;
3) Health and Human Services;
4) Environment and Natural Resources; and
5) Public Safety.

BE IT FURTHER ORDERED that the Committees will analyze state government and make recommendations for reform to the Commission as a whole.

BE IT FURTHER ORDERED that a final report be delivered to the Governor by December 31, 2003, recommending legislation and other actions to increase accountability and efficiency in government, to consolidate and reorganize state government, to explore alternate financing mechanisms, and to shift non-essential services out of state government.

BE IT FURTHER ORDERED that the Governor may elect to appoint additional members to the Commission at any time.

BE IT FURTHER ORDERED that this Executive Order shall become effective immediately upon its execution and shall remain in effect until amended or modified by the Governor.

DONE AND ORDERED this 23rd day of October, 2003.

COMMISSION MEMBERS

Chair
Mike Warren
Energen Corporation, Chief Executive Officer

Vice Chair
Charles McCrary
Alabama Power Company, Chief Executive Officer

Dr. Regina Benjamin, M.D.
Bayou LaBatre Rural Health Clinic

Winton Blount III
Blount-Strange Holdings

Mike Bolin
Jefferson County Probate Judge

William J. Canary
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Steve Cawthon
Alabama Association of Realtors, Former President

George Clay
Former State Senator

Mike Colson
Blow-Out Tire Co., Inc., President

Russell Davis
Home Builders Association Of Alabama, Executive Vice-President

James Dupree, Jr.
Department of Youth Services, Former Director

Wayne Eldridge
Allstate Insurance, Insurance Adjuster

Barbara Everett
Community Activist

Ed Gardner
Department of Economic and Community Affairs, Former Director

Mike Goodrich
BE&K, Inc., Chairman and CEO

Carol Gordy
Natural Decorations, Inc., Chairman and CEO

Andy Hornsby
Department of Human Resources, Former Commissioner

Bob Ingram
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State of Alabama, Treasurer

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Alabama Forestry Association, Executive Vice President

Jerry Newby
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Janet Seaman
Seaman Timber Company, Inc., Exec. VP of Governmental Affairs

Clyde Smith
BE&K, Inc., Chief Financial Officer

Eunie Smith
Eagle Forum of Alabama, President

Buddy Sharpless
Alabama Association of County Commissions, Executive Director

Young Stevenson
Department of Industrial Relations, Former Attorney

Todd Strange
Blount-Strange Holdings

Tommie Taylor
Pruitt and Pruitt

Mike Thompson
Thompson Tractor, CEO

C. C. Torbert, Jr.
Alabama Supreme Court, Retired Chief Justice

Edgar Welden,
Alabama Department of Economic and Community Affairs, Former Director

Bert Wilson
Keystone Masonry, President

Ex officio Member
Beth Chapman
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Alabama Citizens for Constitutional Reform, Interim Chair

INTRODUCTION AND BACKGROUND

On October 23, 2003, Governor Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation, and Funding (the "Commission"), a panel designed to find ways for General Fund and other non-education agencies to cope with the on-going fiscal crisis in state government. The Commission held its first meeting on Friday, October 24, 2003, at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the most comprehensive study possible in the allotted time, the Commission members were divided into five separate subcommittees: Health & Human Services; Commerce; Environment and Natural Resources; Government Operations and Accountability; and Public Safety. Subcommittees were then assigned specific agencies and departments that receive funding from the General Fund.

The Commission and its subcommittees established six criteria with which to evaluate each of the areas under their consideration. These six points were: 1) Identification of redundant or ineffective services; 2) Identification of opportunities to streamline state services; 3) Identification of better uses of technology; 4) Identification of better management tools; 5) Identification of better utilization of existing revenue sources; and, 6) Identification of laws (if any) that could be changed to bring greater efficiency to the management of state agencies or departments. Identifying potential sources of new tax revenue was <u>not</u> part of the Commission's efforts based on the charge from Governor Riley at the Commission's initial meeting.

COMMISSION FOOTNOTE

Of 37 commission members (36 + 1 ex officio), 39% have government experience. The Commission solicited input from state employees, and received over 1,000 suggestions.

SUMMARY OF MEETINGS AND METHODOLOGY

Following the appointment of the subcommittees, a meeting schedule was established and each subcommittee heard testimony from agencies and departments that fell under their areas. Those persons offering testimony included department and agency heads, representatives from the Council on State Government and the National Governors Association, and others who could provide relevant information to the subcommittees. Additionally, the head of each state agency or department completed a survey which solicited recommendations concerning opportunities to consolidate services and departments, cut costs, and eliminate non-essential programs. State employees received a specific solicitation for input through e-mail. The general public was encouraged to attend subcommittee meetings and to provide suggestions through e-mail, written letter, or by telephone in order to ensure that their concerns were heard.

The testimony, the results of the surveys, and the suggestions from state employees and the public were carefully considered by the subcommittees in developing the recommendations contained in this report.

One additional tool was utilized by several of the subcommittees. Many agencies and departments were asked to suggest where they would cut their present budget by 56%, a number based upon the Finance Director's projections of the General Fund deficit after the court-mandated funding of the Department of Human Resources, Medicaid, and Corrections. The time available to the Commission did not allow for the in-depth review that would be necessary to provide definitive recommendations for specific cuts to meet this 56% reduction target. However, it became clear to the Commission that, if implemented, many of the 56% recommendations would drastically, if not wholly, reduce the capability of state agencies and departments to provide even the most basic functions of state government.

RECOMMENDATIONS

In response to the Governor's charge, the Commission developed recommendations that are designed to yield savings and efficiencies without harming core state governmental functions. Changes in the operation of state government and its core functions have implications that are not easily predicted or foreseen. The Commission is not in a position, based on the limited timeframe provided, to make recommendations for immediate action across the board, nor can the Commission identify the precise cost savings to be realized as a result of many of its recommendations. The Commission has identified a number of areas where the opportunity for cost savings exists; areas where Alabama is clearly out of step with surrounding states; or, where good management practices clearly indicate a change in the way the state functions. In addition, the work of the Commission has revealed a number of areas that warrant a further serious and in-depth investigation. Set out below is a summary of the subcommittees' work as prepared by the subcommittee chairs. The recommendations are divided between those that could be implemented in the short term and those that are long term in nature. Those recommendations of the subcommittees that were common to more than one subcommittee are identified as General Recommendations. Those recommendations that were unique to a specific agency and identified by a particular subcommittee are set out separately. Both types of recommendations are divided between those that are short term and those that are long term in nature. The full report of each subcommittee is attached.

GENERAL SHORT-TERM RECOMMENDATIONS

PERSONNEL ISSUES

State employees' salaries and benefits constitute the largest single category of General Fund expenditures. Contained in this report is an extensive review of data relating to salaries and benefits. Obviously, changes must be carefully considered within the entire context of the labor market. The Commission finds that three actions are appropriate immediately:

1. A comprehensive study should be made of the salaries and benefits offered to state employees balancing the need to provide fair compensation with what is competitive in the labor market.
The Commission recommends the study be undertaken immediately and completed within 120 days. It should include, but not be limited to the following:

- The performance of the merit system, to include a review of:
  - **A.** the utilization of arbitration for dispute resolution;
  - **B.** mechanisms to ensure that the state can be competitive with prevailing private sector compensation; and,
  - **C.** the cost savings of proper utilization of job sharing and part-time employment.

- The financial impact of the current retirement program offered to state employees which allows employees to retire with full benefits after 25 years of service without regard to age. This creates a group of retirees who are provided health coverage, but are not yet eligible for Medicare. In addition, the study should consider the impact of allowing retirement with full medical benefits at the age of 60 with only 10 years of service to the state.

- The continuation of the DROP program should be evaluated.

- Longevity payments are awarded on the basis of length of service and cost the state $14 million. The Commission recommends the study of this system, and an analysis of whether this compensation should be used to reward performance.

- Private industry has found that revision of sick leave and paid time off days has worked to the benefit of both employer and employee. As a result, the policies of the state with regard to leave policies should be the subject of analysis with improvements adopted as appropriate.

- Other states facing similar fiscal pressures have undertaken a review of staffing needs allowing for a better utilization of management staff. Alabama

should consider its utilization of middle and senior management personnel. Additionally, this analysis should consider the statewide consolidation of similar agency functions such as legal, property management, real estate, administrative services, human resources, and public relations.

2. The forecasted, double-digit growth of health insurance costs constitutes the most significant danger to the viability of the General Fund.
The growth in the cost of funding the current health care plan for state employees is predicted to outpace the forecasted growth in all funds coming into the General Fund and must be addressed. The Commission also recommends that the state consider multiple insurance options with different pricing structures with the more comprehensive plans requiring greater employee premiums, and identifying the most efficient way to deal with coverage for certain classes such as spouses of other state employees and active or retired state employees, who also are covered under any other insurance policy.

3. Currently state employees are given 13 paid holidays per year, and the Governor traditionally gives two additional holidays.
This is out of line with other southeastern states. The Commission recommends that the number of state holidays be immediately reduced to 10 and that the holidays granted be the same as those granted by the federal government.

MANAGEMENT ISSUES

Alabama's state government is highly decentralized. This diminishes the economies of scale that can come with bulk purchasing and other volume-based strategies. As a result, the commission suggests the following:

1. State purchasing and procurement are currently hamstrung by existing statutes that make purchasing and procurement both inefficient and more expensive.
The Commission recommends that immediate changes be made in the statutes that govern purchasing and procurement to allow for (a) invitations to bid to be issued via the Internet, (b) raising bid limits and the limits on independent purchasing authority to bring them in line with other southeastern states, (c) Alabama to participate in multi-state purchasing consortia, and (d) modifying the State Bid Law to authorize food service contracts to be awarded from the current three years to a maximum of seven years.

2. The Commission recommends that the entire fleet of all public vehicles be evaluated (e.g., usage and vehicle requirements), consolidated, and managed by a specific entity.
Based on the information provided, the state has in excess of 8,000 vehicles plus a large number in the education sector, possibly as many as 7,000, for a total of 15,000. Presently, there is no central point for the state to account for and manage this large fleet. Some states have looked to the privatization of fleet services to achieve significant

cost savings through either a sales-lease back arrangement or a maintenance lease with a private vendor. Alternatively, fleet management could be centralized for all state vehicles and managed much like the Alabama Department of Transportation (ALDOT) manages its fleet by establishing a revolving account to fund purchases with specific mileage criteria. Such an organization could be established at ALDOT or elsewhere, but should report directly to the Governor to ensure accountability.

3. The Commission recommends creating an aggressive program to focus on collecting evaded tax dollars.

While no tax system is popular with taxpayers, most firms and individuals can better accept their tax burdens if they perceive that everyone is paying the taxes due. Whether in the form of fuel tax, corporate income tax, etc., we must find innovative ways to assure that taxes owed to the cities, counties, and state are paid. The failure to pay taxes and fees imposed by law (i.e., tax evasion) violates the public's sense of fairness, undermines the credibility of government, and shifts the burden of supporting public services to other taxpayers. As an example, ALDOT reports that Mississippi recently increased its fuel tax revenue by $40 million through increased collection efforts. Governments at all levels have a strong interest in improving the efficiency and effectiveness of the tax system.

4. The Commission recommends that Title 9, Chapter 15 of the Code of Alabama be reviewed to determine how the state might consolidate and strengthen the laws governing the management of public lands owned by the State of Alabama and its departments and institutions, and increase the focus on managing those lands in the best interests of the people of Alabama.

5. Centralize real estate and property management functions for all state leased and/or owned properties to ensure that these properties are most efficiently utilized. Maximize the use of such properties by lease or sale to increase the General Fund.

6. Evaluate earmarking of state funds to ensure its efficient use of these funds.

7. Establish a sound method of proration prevention focusing on the development of budget guidelines.

INFORMATION TECHNOLOGY

1. Information technology is a growing function of government, and has the potential for significant consolidation and cost savings.

The captive nature of the Information Services Division, a subdivision of the Finance Director's Office, requires that the services offered by Information Services Division (ISD) be the subject of an ongoing review. It is recommended that the Governor issue an executive order forming a task force to consider the various information technology

tasks managed by the Information Services Division of the Department of Finance, including budget, management and administration, and those managed by the Alabama Supercomputer Authority. The task force should be charged with recommending the changes necessary to reduce costs, increase efficiencies, and provide the highest-quality IT service to the agencies, schools, and colleges served by these two organizations. Task force topics might include:

- Investigate the consolidation of all IT services under one agency. For example, the consolidation of the data centers at the Information Services Division (ISD), the Alabama Department of Transportation (ALDOT), and the Department of Industrial Relations (DIR) into one department could reduce costs by a projected $10,000,000 over a five-year period. These reductions would result from the consolidation of the computer mainframes, the associated equipment, the operating system software, the communication system software, the non-mainframe support software, as well as some computer operators. In addition, the consolidation of several hundred file servers spread over the state capitol complex onto one mainframe would eliminate purchase costs or rental fees and the manpower to maintain and service them. An additional benefit would be derived from the reduction of the maintenance and service charges on the mainframe and equipment in three data centers.

- Develop a protocol for purchasing software and hardware to ensure compatibility and allow for integration, to the degree possible, of state systems.

- Create a state "data warehouse" to allow for data mining by various state agencies from a single source rather than the maintenance of discreet databases (functioning examples exist in Colorado and Oregon).

- Continue to off load applications from the mainframe. Many of the software applications currently run on the state's mainframe at a significant cost to the agency could be run on a multi-processor server costing much less than the agency's monthly mainframe costs. For example, Alabama Department of Rehabilitation Services (ADRS) has reduced its mainframe costs over four years from $76,000 per month to $35,000 per month.

2. The State of Alabama is not utilizing available technology to the fullest. The Commission encourages exploring convergence technologies including IP telephony.

Alabama must adopt the available technology with a comprehensive IT program, utilizing current technology. The money saved by the efficiency gained from a fully integrated and consistently maintained information system would pay for its own funding.

3. In the short term, the Commission believes that whatever cuts are borne by state agencies, the cuts should be equally borne by the Department

of Finance with respect to captive IT services, including, but not limited to telecommunications charges to the agencies experiencing the cuts.

TRAVEL RELATED EXPENSES

With regard to travel policies, the Commission makes the following recommendations:

1. Eliminate non-overnight travel per diem and implement a state travel program similar to the federal government's program (e.g. a protocol to deal with the approval of travel and reimbursement based upon receipts and actual expenses up to a per diem limitation).

2. Employee training and education are critical to the long-term effectiveness of employees in the public or private sector.
While short-term savings can be realized by closely monitoring state employee travel for educational and training purposes, to discontinue important employee training and education for the long term would be short-sighted. The state should also examine the use of the teleconferencing and satellite capabilities of the Department of Public Health (it has reception sites in each county) and the Department of Transportation to reduce travel costs.

CONSOLIDATION OF LEGAL ACTIVITY

The Commission finds that while state agencies must have access to legal counsel to deal with the regular operations of that agency, a number of legal activities are common to all agencies and could be consolidated. Examples of common activities are fraud investigations and prosecutions, employment matters, and civil rights litigation. As a result, the Commission recommends that a review of departmental legal activity be conducted, and where appropriate, consolidation with the Attorney General's office be implemented to recognize both efficiency and cost savings. The Commission also recommends that the state investigate the possibility of reducing the legal expenses associated with the issuance of government bonds.

OTHER RECOMMENDATIONS

1. A citizens' oversight committee should be established to assist in enacting the Commission's recommendations, as well as identifying other areas for efficiency and consolidation.
It should be the responsibility of each department and agency to report to the public each year the progress it has made in managing its funds and functions more efficiently. It is also recommended that the oversight committee submit an annual Alabama Accountability Report to document the overall status of the state's operations. The Governor's Budget Oversight Commission (Executive Order 9) could be made permanent. After the appropriate recommendations are adopted, a continuing review

process to assist in enacting the recommendations, as well as reviewing other areas for efficiency and consolidation, should be established.

2. Examine and maximize the interstate and/or intrastate purchasing of medications. Currently, the State of Alabama spends $600 million on prescription drugs.
The State of Georgia reported a decrease in Medicaid drug spending of 22% per month in 2000. The rate slowed to a 6% decrease in 2003. See Appendix G for more information regarding Georgia's intra-state purchasing program. Consider aggregating state employee, teacher employee, and all public costs involving pharmaceutical benefits. Consider models that include mail-order prescriptions, robotics, VA, and central fill processes. Medicaid should also include anti-psychotic drugs on the preferred drug list. The National Governors Association (NGA) reported that the State of Florida saved $127 million in the first year of its PDL and supplemental rebate program's operation. Medicaid could establish a process whereby pharmaceutical suppliers must provide a rebate in order to be placed on the PDL, allowing for additional savings.

3. Consider contracting with providers already serving children for case management services.
Length of stay guidelines should be established which can be measured and compared to norms. The non-profit or community-based agencies providing care and services to the children are a very valuable, cost-effective resource which should be encouraged by open communication and involvement with state agencies.

4. On occasion the state may recognize one-time recoveries (i.e., Exxon litigation).
The Commission recommends that the state consider a process to ensure that such one-time payments be utilized in a way that allows for long-term benefits to the state.

GENERAL LONG-TERM RECOMMENDATIONS

PERSONNEL ISSUES

1. Initiate the appropriate legislation necessary to enable the consolidated procurement of agency supplies and services.
This action should be expanded to include an evaluation of the providers of outsourced services to ensure that they are providing outcome-based services.

2. Review all state check writing to determine if significant efficiencies can be achieved by consolidating the issuing of one paycheck a month for state employees.
Additionally, consider the possibility that state payroll checks be electronically deposited.

MANAGEMENT ISSUES

1. Alternative investment strategies for state funds administered by the State Treasurer's Office should be studied and incorporated to enhance profits.

2. The state should consider the impact of requiring state agencies to "use or lose" appropriated funds which results, at times, in inefficient spending.

3. The state should move to electronic payments by the state and payments of citizens to government.

SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES SHORT-TERM RECOMMENDATIONS

1. Evaluate and consider reducing the number of days that certain services are offered (e.g., food stamps, child support).
This would not adversely impact client services while offering staffing cost savings.

2. Examine the possibility of issuing one child support check per month.

3. Consolidate the contracting operations of divisions of Mental Health and Mental Retardation.

4. Consolidate the administrative and support functions of Mental Health and Mental Retardation at the Tuscaloosa facilities.

5. The Department of Mental Health and Mental Retardation should emphasize the marketing of faith and community-based initiatives particularly with regard to drug abuse.
Additionally, greater coordination with the Department of Corrections and the courts offers an opportunity to save money by providing drug rehabilitation rather than incarceration.

6. Encourage counties and municipalities to develop public/private partnerships for the creation of family resource centers in every county and/or service area to focus specifically on prevention issues.
See Appendix N for information on the Family Services/Resource Centers.

7. The Department of Public Health should consolidate the eligibility determinations for CHIPS and Medicaid eligible beneficiaries via a common application.

SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES LONG-TERM RECOMMENDATIONS

1. Enact legislation to create the two umbrella agencies, as described below.

This would encourage and facilitate the cooperation and sharing of information and data via interagency committees to enhance the delivery of health and human services throughout the state.

- Consolidate and merge all of the existing health-related agencies within one new umbrella Agency of Health. The following divisions within the new Agency of Health would consolidate, include, and merge the existing health related agency functions: Division of Public Health; Division of Mental Health and Mental Retardation; Division of Health Planning, Licensure and Certification; Division of Senior and Rehabilitation Services; and a Division of Medicaid and All Kids. This consolidation initiative should examine the regional offices, locations, and properties in which these services have historically been provided. Such a review could result in the co-location of services and one-stop shops to increase efficiencies and reduce costs. The Head of the umbrella agency will be politically appointed by the Governor and should have expertise in the respective area. The division heads may be political appointees, but should have specific qualifications and expertise in the respective areas. The Division Heads will be subject to the supervision and direction of the Agency Head; however the Head of the Public Health Division will be the State Public Health Officer (M.D.) and appointed by the State Board of Health. This consolidation and merger initiative could entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.

- Consolidate and merge all of the existing human services-related agencies within one new umbrella Agency of Human Services. The following divisions within the new Agency of Human Services would consolidate, include, and merge the existing human services related agency functions: Division of Adult/Senior Services (this would include the Department of Human Resources' adult portion not relating to medical services and the Department of Senior Services); Division of Children's Services (this would include merging the substantive functions of children's activities with the Department of Human Resources, the Child Abuse and Neglect Prevention Board, and the Department of Children's Affairs); Division of Family Services; and Division of Veterans Services. The head of the umbrella agency will be politically appointed by the Governor and should have expertise in the respective area. The Division Heads may be political appointees, but should have specific

qualifications and expertise in the respective areas. The division heads will be subject to the supervision and direction of the agency head. This consolidation and merger initiative could entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.

2. Modify departmental enabling legislation to allow the delivery of statewide services on a regional basis and, to the extent feasible, aggressively pursue co-locating these agencies' offices with other regional offices developed by Alabama Department of Public Health (ADPH), as well as utilizing public sites for offering outreach services in counties where Department of Human Resources (DHR) offices are closed.
The regional delivery of services and the co-locating of agency offices would be more efficient and effective in both administration and funding. Furthermore, utilizing public sites for offering outreach services would result in significant cost savings. Specific savings would depend on the various potential modifications to DHR's current organization.

3. Consider returning the contracted Child Care Management Services eligibility program to Department of Human Resources (DHR).
This would generate savings on administrative costs. Administrative costs are approximately $7.9 million for FY2004. The Department did not renew the contracts of three management agencies, which generated savings of approximately $1.3 million for FY2004. The net savings would be approximately $3.6 million if contracts are not let for the remaining eight agencies. However, returning contracted services to DHR should be accomplished through a phase-in process. These eligibility services could not be returned to DHR in a short time frame. The projected savings are net savings. The projected savings factor in any DHR staffing and other needs. There may be a need to hire new staff (particularly in metropolitan counties), but in counties where child care caseloads are low, the cases can be handled by existing DHR staff.

4. Consider privatizing and consolidating the collection of child support payments and other collection efforts that cut across several agencies.
See Appendix P for NGA information on privatizing child support collections.

5. Develop a discharge plan for children entering into therapeutic foster care or a residential treatment center whereby, when a child enters into such a facility, the provider and the Department of Human Resources (DHR) worker begin a discharge plan as soon as possible so that there is an incentive for the institution to return that child to more normal, less expensive care within months rather than years.
Contracts should be restructured to pay for discharge rather than occupancy and for the achievement of basic outcomes instead of just putting the child through the program.

Additionally, aggregate movement data of this type of care should be a matter of public record. Savings could be in the millions annually.

6. Maximize federal adoption incentives and facilitate the adoption process by providing a weekly update of the number of adoptions that have been completed, thereby allowing children to have permanent homes, while freeing up money in the foster care system.
This could utilize federal adoption incentive money and save foster care dollars.

7. The Department of Public Health should consolidate the Elderly and Disabled Waiver Program and Senior Services Division to eliminate duplication utilizing the excellent model developed by the Department of Senior Services.

8. The Department of Public Health should review the costs associated with departmental clinical laboratories and determine the cost effectiveness of outsourcing all or part of this function or consolidating the work of these labs.

9. Consider repeal of the Medicaid nursing home reimbursement statute to allow Medicaid the flexibility to adjust nursing home provider reimbursements as the agency does for all other providers.
It is recommended that the bed tax provision remain intact. Enact legislation to change the reimbursement methodology for nursing homes which will reduce incentives. The incentives are included in the per diem rate calculation and the issue is to discontinue paying them. The savings amount includes some other changes in the reimbursement methodology such as removing the provider tax as an allowable cost and changing the property cost reimbursement to actual cost in lieu of fair rent.

10. Develop disease management programs.
Chronic diseases such as cardiovascular disease, cancer, diabetes, and arthritis are particularly prevalent among older people. Faced with tight fiscal constraints and soaring Medicaid budgets, other states are pursuing new strategies to reduce the cost of caring for patients with costly chronic diseases. Chronic diseases are among the most prevalent, costly, and preventable of all health problems. Seventy-eight percent of the nation's total medical care costs, including almost 80% of total Medicaid expenditures, can be attributed to the treatment of chronic conditions. "Disease management" (DM) provides a strategy for states to improve patient health outcomes and limit health care spending by identifying and monitoring high-risk populations; helping patients and providers better adhere to proven interventions; engaging patients in their own care Management; and establishing more coordinated care interventions and follow-up systems in order to prevent unnecessary health complications. More than 20 states are currently developing and implementing Medicaid DM programs.

11. Medicaid could also re-evaluate the medical and financial criteria for nursing home admissions.

12. Medicaid should consider consolidating, eliminating, or privatizing third party collections.

13. Examine the use of state dollars funding the veteran's affairs nursing homes and hospitals to maximize the benefit to veterans and federal matching dollars, possibly under Medicaid.
Explore qualifying veteran affairs nursing homes for Medicaid benefits for the purpose of maximizing federal match dollars subject to the cap on nursing home beds.

14. Amend the Alabama Child Care Act to allow Department of Human Resources (DHR) to license and regulate small group homes to care for fewer than seven children.
This action has the potential to save from $150 to $300 per day per child by using smaller and less costly residential facilities. There are currently 650 youth residing in these restrictive-types of residential care facilities.

SUBCOMMITTEE ON COMMERCE SHORT-TERM RECOMMENDATIONS

1. The Commission recommends the establishment within the Finance Department of an Office for Management, Budget, and Finance.
The Commission recommends that the Governor vest this agency with the authority and the essential staff to conduct "internal efficiency audits" and report findings to the public on the Governor's website, to department heads, and to media in a timely fashion. Included in this work could be the development, with full legislative participation, of a performance-based management process for agencies of Alabama State government. This process should be built on agency strategic plans and incorporate regular performance reviews that reinforce the significance of achieving results with taxpayer dollars.

2. The Commission recommends that the Alabama Quality Award for excellence in performance be established as the standard for efficiency.

3. All workforce development responsibilities presently housed at Alabama Department of Economic and Community Affairs (ADECA), Department of Industrial Relations (DIR), Alabama Industrial Development Training (AIDT), and other agencies should be consolidated under a single workforce development organization under the Governor's purview which can deliver services and achieve greater efficiency while preparing the workforce with skills needed in industry.
AIDT should continue its primary role of training and preparing workers for specific companies who locate or expand in this state. The responsibility for workforce development is too important to be shared by several different organizations and should be under the direct purview of the Governor. According to testimony by the National Governors' Association, no state governor has abdicated workforce development to an agency not under his/her direct control. Workforce development strategies should be aligned with economic development activities. Alabama is one of only seven states that

do not combine the core workforce development activities, including WIA and employment services, into a single state agency.

SUBCOMMITTEE ON COMMERCE LONG-TERM RECOMMENDATION

1. Due to the overlaps that occur between agencies in the development of commerce, the Commission recommends the creation of a Department of Commerce to include the efforts of the Alabama Development Office (ADO), film, tourism, existing industry expansion including military base realignment and closing (BRAC), minority business affairs, and industrial recruitment.

While the specific responsibility for industry recruitment lies with ADO, other state agencies have overlapping responsibilities for industry recruiting and the expansion of existing industry. In addition, there are occasions when conflicting messages come from our state in the process of attracting manufacturing, film, and tourism opportunities. Accordingly, the new structure should allow for longevity of the Director, competitive pay for recruitment staff (i.e., outside of the state merit system), and a stable revenue stream secured to fund the total effort.

SUBCOMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES SHORT-TERM RECOMMENDATIONS

1. Consider shifting the gas pump inspection function of the Alabama Department of Agriculture and Industries to the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services.

2. Maintain the funding of the Alabama Soil and Water Conservation Agency while housing the agency under the Alabama Department of Conservation and Natural Resources.

SUBCOMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES LONG-TERM RECOMMENDATIONS

1. Consider consolidating the Alabama Forestry Commission and the Alabama Department of Conservation and Natural Resources in order to minimize the duplication of services, encourage efficiency, and streamline services rendered to the Alabama citizens.

2. Consider consolidating the Alabama Liquefied Petroleum Gas Board and the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services.

3. Consider consolidating the Alabama Surface Mining Commission, the State Oil and Gas Board of Alabama, and the Geological Survey of Alabama into the Alabama Department of Environmental Management in order to combine environmental agencies that share similar missions, thereby allowing them to better address environmental issues vital to the Alabama citizens.

4. Consider the clustering of administrative functions of all agencies where responsibilities are similar (e.g., accounting, legal, purchasing, personnel, communications, information technology, etc.).

SUBCOMMITTEE ON GOVERNMENTAL OPERATIONS AND ACCOUNTABILITY SHORT-TERM RECOMMENDATION

1. Professional service contracts should be reviewed, renegotiated, and eliminated where possible.

SUBCOMMITTEE ON GOVERNMENTAL OPERATIONS AND ACCOUNTABILITY LONG-TERM RECOMMENDATIONS

1. A study should be undertaken to determine if the Board of Examiners and the State Auditor's office should be combined.

2. The consolidation of business licensing boards and regulatory boards should be considered.

3. The transportation of citizens to and from facilities to receive services from state human services agencies could be coordinated and bid out to private providers.

SUBCOMMITTEE ON PUBLIC SAFETY SHORT-TERM RECOMMENDATIONS

1. Implement alternative sentencing and release programs aimed at reducing the number of current and future incarcerations.

2. Any college or university desiring protective services associated with athletic events should pay for the costs.

3. Eliminate dignitary flights.

4. Replace and/or consolidate some Work Release Centers. Savings would be derived from the reduced transportation and administrative costs. Maximize the use of work release within the Department of Corrections.

5. Continue to increase the release of eligible non-violent offenders to parole in order to decrease the inmate population.

SUBCOMMITTEE ON PUBLIC SAFETY LONG-TERM RECOMMENDATIONS

1. Legislation should be passed enabling local police officials, who are currently not allowed to do so, to cite speeders within their jurisdiction.

2. The Unified Judicial system should evaluate the number of district judgeships, particularly in rural areas, to determine if there is an excess.

3. Evaluate alternative methods of compensating court appointed lawyers, such as was recently adopted by Houston County, AL.
Additionally, Minnesota has adopted a requirement of minimal prepayment in advance of appointment.

4. Consider consolidation of the Board of Pardons and Paroles and the Alabama Department of Corrections.

5. Fund the implementation of five regional transition centers (such locations being former mental health/mental retardation/developmental centers previously operated by the Department of Mental Health), to be operated by the Board of Pardons and Paroles.

6. Amend the Prison Made Goods Act and/or the state constitution to authorize the Prison Industry Enhancement Certificate Program from Correctional Industries.

7. Amend the state Bid Law to allow the purchases of products made by Alabama Department of Correction's Correctional Industries to be exempt from the state Bid Law.

8. A number of state agencies, specifically the Alabama Department of Corrections, the Alabama Department of Youth Services, and others, own several thousand acres of land throughout Alabama.
An assessment should be made to determine if portion of these lands might be sold or leased. The proceeds of any such sales or leases by each agency should be held in a trust, with the investment earnings being used to fund infrastructure improvements for the agency.

9. Evaluate the reorganization and consolidation of public safety/criminal justice agencies. The Commission also suggests that an independent investigative agency be created to include forensic science and criminal justice information sharing responsibilities.

MINORITY STATEMENT

1.12.04

(As submitted by Mac McArthur, Executive Director,
Alabama State Employees Association)

As a member of this Commission, I request that the commission add my statement to the record.

"For every story, there are at least two perspectives." That is why I feel compelled to ensure that my perspective - the same perspective of thousands of state employees both active and retired - makes it into the official history of this committee.

I believe that, from the beginning, many members of this committee undertook their charge wearing a set of political blinders. They were intent on achieving at least one key objective: the slashing of benefits for public employees, or a reduction in their numbers. The blinders they wore kept them from seeing the full picture of how public employment operates and why Alabama's public employees deserve the compensation we get.

Frankly, it shocks me that the report of this committee deals so callously with state employment. In fact, the tone of many of the report's recommendations seems to indicate that a life in public employment means a life of undeserved benefits and while not compensating state employees at the same level of the private sector and that employee benefits should be the first to go in tough times.

What shocks me even more is that most of this committee's members work everyday in the private sector, and should know better. They should know that in the public sector, salaries don't keep up with inflation. They should know that the potential for quick advancement, pay raises, or benefits like stock options and Christmas bonuses don't exist as they do in the private workforce. They should know that public

employees, on average, obtain higher levels of education and have more work experience that those in the private sector.

Therefore, they should know that good benefits are often the line that stands between hiring and retaining quality workers, or losing them.

The committee should also know that the State of Alabama has faced costly court orders because we chose the easy route of eliminating human resources. In the Wyatt mental health decree and the RC social services decree, it has been a targeted investment in human infrastructure - not a reduction - that has kept the state out of trouble. Those experiences should teach us a lesson: scaling back the state workforce as the demand for their services increases is a poor decision for all involved and destined to land Alabama further and further under court control.

This report focuses keenly on taking the axe to state employees, despite a host of uncontested data that indicates Alabama's public workforce's compensation is in line with other states. In fact, we do more with less, as several third-party studies demonstrate. For example, Alabama is sixth among southern states in total compensation while in the top three in the nation for efficiency. And that is uncontested.

I want to make it clear that I am unable to support these recommendations, as written. While there are many worthy points in this report there are those recommendations so troubling it leaves one to question reason.

This lack of thought and reason is seen in issues such as giving the Governor's Oversight Commission statutory authority. Alabama presently has this Oversight Commission it is called the Alabama Legislature. Any statue that would shift this power to the executive would most likely be ruled unconstitutional. Not to mention difficult to pass through the legislature.

This commission was to produce efficiency, consolidation and funding measures. What it produced were six future studies or reviews, two new taskforce and commissions like this one, four new state departments and agencies, and not one single new dime of funding to address our present crisis.

I want it to be clear. Those men and women who keep our streets safe, care for the abused children, ensure our elderly get the medicine they need, or simply provide drivers licenses have earned their compensation. And we intend to fight to make sure that they keep all that they have earned.

HEALTH AND HUMAN SERVICES SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

REPORT AND RECOMMENDATIONS

DECEMBER 12, 2003

MEMBERS OF THE HEALTH AND HUMAN SERVICES SUBCOMMITTEE

Lenora Pate (Chairman), Sirote & Permutt

Regina Benjamin, Physician

George Clay, Former State Senator; District 28

Barbara Everett, Wife; Congressmen Terry Everett

Andy Hornsby, Former Commissioner of the Department of Human Resources

Jim Ridling, Southern Guaranty Insurance Company, Inc.

Eunie Smith, Eagle Forum

REPORT AND RECOMMENDATIONS

HEALTH AND HUMAN SERVICES SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

INTRODUCTION AND BACKGROUND

On October 23, 2003, Gov. Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation, and Funding, a panel designed to find ways for the General Fund and other non-education agencies to cope with the ongoing fiscal crisis in state government. The group held its first meeting on Friday, October 24, 2003, at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the comprehensive study, the Commission members were divided into five separate subcommittees tasked with examining the areas of Government Operations and Accountability, Environment and Natural Resources, Public Safety, Commerce, and Health and Human Services.

The Health and Human Services Subcommittee consisted of the following members: Lenora Pate (chair); Regina Benjamin; George Clay; Barbara Everett; Andy Hornsby; Jim Ridling, and Eunie Smith. Rachel Tears, of the Center for Government at Auburn University Montgomery, and Chad Nichols, of the Office of the Governor, provided technical support to the subcommittee.

The state agencies that fall under the Health and Human Services Subcommittee include: Alabama Department of Human Resources (DHR); Alabama Department of Senior Services; State Health Planning and Development Agency (SHPDA); Alabama Department of Rehabilitation Services; Department of Veterans Affairs; Department of Children's Affairs; Alabama Medicaid Agency (Medicaid); Alabama Department of Mental Health and Mental

Retardation (DMH/MR); Alabama Department of Public Health (ADPH); and the State of Alabama Child Abuse and Neglect Prevention Board.

The Subcommittee established criteria to evaluate each of the areas under their consideration. These five points of criteria are: 1) Identification of duplicative or ineffective services; 2) Streamlining and consolidating services; 3) Identification of better use of technology; 4) Identification of better utilization of existing revenue sources; and 5) Identification of laws that could be changed to bring greater efficiency to management of state agencies or departments.

SUMMARY OF MEETINGS AND METHODOLOGY

The Health and Human Services Subcommittee held its first meeting immediately following the Commission's meeting on October 24, 2003. The Subcommittee continued to meet throughout the months of November and December, meeting on November 5th, November 12th, November 19th, November 25th, December 3rd, December 10th, and December 12th. During meetings, the Subcommittee heard testimony from the head of each agency that fell under their consideration as well as representatives from the National Governor's Association, the Court of Criminal Appeals, Health Information Design, the Coalition for a Healthier Escambia County, the Alabama State Purchasing Director, a Director of an Area Agency on Aging, the Alabama Foster and Adoptive Parent Association, AGAPE, The Association of Alabama's Childcare Agencies, the Alabama Chapter of American Academy of Pediatrics, Alabama Arise, the Alabama Association of Assisted Living Facilities, the Alabama Head Injury Foundation, and the Alabama Coalition Against Domestic Violence. The Subcommittee also made personal visits to several of the state agencies to obtain additional information and receive clarification to ensure that a comprehensive understanding of the agency's functions, process, and specific issues was achieved. To aid the Subcommittee, loaned staff members, Bruce Nichols and Neil Boyd,

conducted extensive on-site interviews with agency officials in the following departments: Department of Public Health, Department of Senior Services, Department of Mental Health and Mental Retardation, Alabama Medicaid Agency, Department of Human Resources, Department of Rehabilitation Services, the Alabama State Employees Association, and the Alabama Department of Finance. In addition to physical meetings, the Subcommittee conducted numerous conference calls and several individual meetings with individuals with expertise in the field of health and human services such as Dean Lee Evans of Auburn University's School of Pharmacy.

The head of each agency completed three surveys which solicited recommendations concerning consolidating services and departments, cutting costs, and eliminating non-essential programs. In addition, the agencies provided countless documents and written responses to various requests by the Subcommittee. Moreover, input from the public and state employees was solicited through a number of means. Citizens and employees were encouraged to attend Subcommittee meetings, provide suggestions through e-mail, written letter, or by telephone in order to ensure that their concerns were heard. The testimony, the results of the surveys, the agency visits, the information gathered by the loaned staff, and the suggestions from the public and state employees were carefully considered by Subcommittee members in developing the recommendations contained herein.

ORDER OF RECOMMENDATIONS

Non-Agency Specific Ideas for Cost Savings and Revenue Producing Options

Alabama Department of Human Resources (DHR)

Alabama Department of Mental Health and Retardation (DMH/MR)

Alabama Department of Public Health (ADPH)

Alabama Medicaid Agency (Medicaid)

Alabama Department of Senior Services

State Health Planning and Development Agency (SHPDA)

Alabama Department of Rehabilitation Services

Department of Veterans Affairs

Department of Children's Affairs

State of Alabama Child Abuse and Neglect Prevention Board

Non-Agency Specific Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

Efficiency/Consolidation Recommendations	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Enact legislation to create the two umbrella agencies, described in items two (2) and three (3) below, which would encourage and facilitate cooperation and sharing of information and data via interagency committees to enhance the delivery of health and human services throughout the state.[a]			
2. Consolidate and merge all of the existing health-related agencies within one new umbrella Agency of Health. The following divisions within the new Agency of Health would consolidate, include, and merge the existing health related agency functions: Division of Public Health; Division of Mental Health and Mental Retardation; Division of Health Planning, Licensure and Certification; Division of Senior and Rehabilitation Services; and a Division of Medicaid and All Kids. This consolidation initiative should examine the regional offices, locations, and properties in which these services had historically been provided which could result in the co-location of services, and one-stop shops to increase efficiencies and reduce costs. The Head of the umbrella Agency will be politically appointed by the Governor and will have expertise in the respective area. The Division Heads may be political appointees, but should have specific qualifications and expertise in the respective areas. The Division Heads will be subject to the supervision and direction of the Agency Head; however the Head of the Public Health Division will be the State Public Health Officer (M.D.) and appointed by the State Board of Health. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.[a]			

Non-Agency Specific Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
3. Consolidate and merge all of the existing human services-related agencies within one new umbrella Agency of Human Services. The following divisions within the new Agency of Human Services would consolidate, include, and merge the existing human services related agency functions: Division of Adult/Senior Services (this would include the Department of Human Resources' adult portion not relating to medical services and the Department of Senior Services); Division of Children's Services (this would include merging the substantive functions of children's activities with the Department of Human Resources, the Child Abuse and Neglect Prevention Board, and the Department of Children's Affairs); Division of Family Services; and Division of Veterans Services. The Head of the umbrella Agency will be politically appointed by the Governor and will have expertise in the respective area. The Division Heads may be political appointees, but should have specific qualifications and expertise in the respective areas. The Division Heads will be subject to the supervision and direction of the Agency Head. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
4. Charge each existing state agency with reducing at least five (5) to ten (10) percent of state employees as a result of the consolidation and/or elimination of middle and senior management personnel. Additionally, this reduction would be possible with the consolidation of similar agency functions such as legal, property management, real estate, administrative services, human resources, and public relations. This process can be undertaken by referencing reports from states that have undergone similar consolidation and restructuring processes. This task can also be undertaken by utilizing the Annie Casey Foundation to conduct research on the overlaps and gaps in the delivery of health and human services programs. See the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the South Carolina model (Appendix D).[b]			
5. Examine the structure of collections, information systems, and computer services within the state to consolidate, eliminate, or privatize information services.			
6. Initiate the appropriate legislation necessary to enable the consolidated procurement of agency supplies and services. This action should be expanded to include an evaluation of the providers of outsourced services to ensure that they are providing outcome-based services.			

Non-Agency Specific Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
7. Establish a state fleet management system to enable state employees to utilize vehicles that are managed by an outsourced or privatized system (See the South Carolina car fleet article in Appendix C).			
8. Repeal the law linking the state mileage reimbursement rate to the rate allowed by the Internal Revenue Service. Consider establishing a 27 cent per mile rate rather than the current 37 cents per mile rate to save General Fund money.			
9. Consider moratoriums on state employee travel for educational and training purposes and examine the use of the teleconferencing and satellite capabilities of the Department of Public Health (has reception sites in each county) and the Department of Transportation to reduce travel costs. Additionally, excessive intrastate travel by state employees for educational and training purposes should be examined to determine if it is necessary and/or if the use of teleconferences would be more cost effective.			
10. Revamp state benefits, travel regulations, holidays, and the retirement plan to be more similar with Federal guidelines. Governors should cease the practice of granting additional holidays (e.g., day after Thanksgiving, day after Christmas, etc.).			
11. Change the current per diem reimbursement for intrastate travel to actual expenses, subject to the per diem maximum.			
12. Redesign the state medical and dental benefits and consider multiple options with different pricing structures with the more comprehensive plans requiring greater employee premiums or incentives for employees to opt out of the state health plan. Mandate opt-out insurance coverage for certain classes such as spouses of other state employees and active or retired state employees, who are also covered under any other insurance policy.			
13. Competitively bid dental and medical insurance for state employees and teachers through the use of a broker selected by a committee. Use of a broker would preclude any consulting or research costs.			
14. Revise the sick leave policy to paid time off (PTOs) or personal time off days.			
15. Eliminate the state employee December longevity payments and any agency-specific holidays.			
16. Develop a common and uniform application and data entry system, and designate a single point of entry for all consumers of health and human services across all agencies. See Colorado's Long Term Care Single Entry Point System (Appendix E) and Oregon's Single Entry Process (Appendix F).			
17. Review all state check writing to determine if it can be consolidated to the issuing of one paycheck a month for state employees. Additionally, mandate that state payroll checks be electronically deposited.			

Non-Agency Specific Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
18. Centralize real estate and property management functions for all state leased and/or owned properties to ensure that these properties are most efficiently utilized. Maximize the use of such properties by lease or sale to increase the General Fund.			
19. Initiate a campaign for retired persons to volunteer as receptionists, transportation providers, etc., to reduce personnel costs.			
20. Roll over saved dollars to the next year's budget, encouraging agencies to save versus spend at the end of each fiscal year.			
21. Conduct a review of the existing investigative and fraud functions among all agencies and the AG's Office; consolidate if warranted.			
22. Conduct an independent study to reform the Merit System in order to pursue more stringent performance management of state employees.			
23. Human resource functions for all health and human services agencies should be centralized under the State Personnel Department and/or outsourced to include criminal background test and drug tests.			
24. Examine and maximize interstate and/or intrastate purchasing of medications. The State of Georgia reported a decrease in Medicaid Rx spending of 22% per month in 2000. The rate slowed to a 6% decrease in 2003. See Appendix G for more information regarding Georgia's intra-state purchasing program. Aggregate state employee, teacher employee, and all public costs involving pharmaceutical benefits. Consider models that include mail-order prescriptions, robotics, VA, and central fill processes.			
Total			

Funding Recommendations

1. Examine implementing a soda tax to include bottled and canned beverages, soda syrup, powders and bases, and auditing (See the Arkansas soda tax bill in Appendix H and projected revenues for the State of Alabama in Appendix I).	$ 69,800,000		
2. Increase the state tax on a 20-pack of cigarettes from 16.5 cents to 31 cents.	$ 52,000,000		
3. Enact state or constitutional law that will give agencies fee-setting authority which will allow them to adjust their fee structures to be more reflective of the services they provide (e.g., restaurant inspections, daycare center inspections, etc).			
4. Increase fines for illegal activities (e.g., reckless driving). See Appendix J for information on a house bill to increase the fines for reckless driving.			
5. Charge administrative fees for services that are currently free of charge, yet frequently utilized and could result in significant revenues for the state (e.g., divorce filings). See Appendix K for information on the Marriage/Divorce Fee Bill.			

Non-Agency Specific Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
Total	$1,218,000,000		
Grand Total:	$1,218,000,000		

[a] The Subcommittee did not have consensus on the consolidation of the health-related agencies.

[b] Any consolidation should produce smaller government and less bureaucracy.

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

State Health Planning and Development Agency

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge all of the State Health and Planning Agency functions into a Division of Health Planning, Licensure and Certification within one new umbrella Agency of Health. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Enact legislation, if necessary, to obtain the capacity to accept payment for data requests via credit card.			
3. Increase data sales to the health industry.			
Total	$		
Property Savings			
1. Examine the possibility of moving to more economical office space (currently in the RSA building paying $8,600/month). If SHPDA's offices were moved into Public Health's space, this would reduce the need for duplicate machinery.			
Total	$		
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
1. Enact legislation to authorize the addition of new fees; fees could be required for amendment and adjustment requests to the State Health Plan; Declaratory Rulings; increase cost for CON Rules & Regulations and the State Health Plan; increase fee for Letters of Non-reviewability; and, require the mandatory reporting of Annual Reports from Hospitals, Home Health Care; Nursing Homes, Assisted Living and Specialty Care Assisted Living Facilities, Ambulatory Surgery Centers, Hospice Programs, and the Bi-annual Patient Origin Surveys of Hospitals. With legislation, fees could be imposed for delinquent reporting facilities.			
Total:	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
Grand Total:	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Human Resources

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge DHR's children's services into one new umbrella Agency of Human Services within the Division of Children Services to administer all child welfare (i.e., services to prevent and address child abuse and neglect and promote family preservation), child day care, and pre-school programs, assuming the responsibilities of agencies with a similar mission of preventing child maltreatment and strengthening communities through its support of community-based training programs and family service centers (e.g., the Department of Children's Affairs, Board of Child Abuse Prevention and Neglect, etc.). Consolidate and merge DHR's adult services into one new umbrella Agency of Human Services within the Division of Adult/Senior Services to include DHR's adult portion not relating to medical services and the Department of Seniors Services, and Veterans Affairs. These consolidations and mergers would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Modify departmental enabling legislation to allow the delivery of statewide services on a regional basis and, to the extent feasible, aggressively pursue co-locating these agencies' offices with other regional offices developed by ADPH, as well as, utilizing public sites for offering outreach services in counties where DHR offices are closed. The regional delivery of services and the co-locating of agency offices would be more efficient and effective in both administration and funding. Furthermore, utilizing public sites for offering outreach services would result in significant cost savings. Specific savings would depend on the various potential modifications to DHR's current organization.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

		Cost Reduction/Savings Amount	Net Savings	Running Total
3.	Amend the Alabama Child Care Act to allow DHR to license and regulate small group homes to care for fewer than seven children. This action has the potential to save from $150 to $300 per day, per child by using smaller and less costly residential facilities. There are currently 650 youth residing in these restrictive-types of residential care facilities. Estimated savings would depend on individual case plans.			
4.	Enact legislation to provide for establishing legal guardianship. This action would allow for placements with relatives or approved individuals and a savings of the average foster care payment of $420 per month/per child. There are currently 5600 children in foster care. However, establishing legal guardianship would not apply to all of the 5600 children currently in foster care. DHR currently has 150 children in foster care who are placed with related foster parents. Legal guardianship would possibly prevent these children from entering care with DHR as the legal guardian. It also could enable approximately 100 additional children, whose permanency plan is related care, from remaining in foster care. Due to the fact that there would likely be some aspect of financial support for the children with legal guardianship, it is not possible to project a full savings of $420 per child. But, the full financial and legal responsibility for these children would be reduced significantly.			
5.	Return the contracted Child Care Management Services eligibility program to DHR. Returning the contracted services to DHR would generate savings on administrative costs. Administrative costs are approximately $7.9 million for FY2004. The Department did not renew the contracts of three Management Agencies, which generated savings of approximately $1.3 million for FY2004. The net savings would be approximately $3.6 million if contracts are not let for the remaining eight agencies. However, returning contracted services to DHR must be accomplished through a phase-in process. These eligibility services could not be returned to DHR in a short timeframe. The projected savings are net savings. The projected savings factor in any DHR staffing and other needs. There may be a need to hire new staff (particularly in metropolitan counties), but in counties where child care caseloads are low, the cases can be handled by existing DHR staff.	$3,600,000		
6.	Study the feasibility of outsourcing all information technology activities for DHR functions.	$4,000,000		
7.	Consolidate data entry and common applications linking the different programs. Also, consider outsourcing data processing in a single location to eliminate duplicate work and unnecessary data processing procedures.			
8.	Automate tasks routinely performed manually by DHR staff to minimize staff inefficiencies.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

		Cost Reduction/Savings Amount	Net Savings	Running Total
9.	Implement the usage of the Electronic Benefit Transfer (EBT) system for DHR. The EBT process would allow parents who are eligible for subsidy benefits to electronically register their child's attendance at the child care provider. There would be initial start-up costs to implement the system, which would include EBT machines for day care providers. Savings would be generated from the reduction in staff time to process paper attendance sheets and monthly cost of printing and mailing attendance sheets to providers. The process can also help reduce fraud by providers who incorrectly report a child's attendance. Quantifiable savings cannot be projected.			
10.	Repeal the law linking the state mileage reimbursement rate to the rate allowed by the Internal Revenue Service. This figure is based on reducing the mileage reimbursement rate by 3 cents per mile.	$200,000/yr		
11.	Consider privatizing and consolidating the collection of child support payments and other collection efforts that cut across several agencies. See Appendix P for NGA information on privatizing child support collections.			
12.	Develop a discharge plan for children entering into therapeutic foster care or a residential treatment center whereby, when a child enters into such a facility, the provider and the DHR worker begin a discharge plan as soon as possible so that there is an incentive for the institution to return that child to more normal, less expensive care within months rather than years. Contracts should be restructured to pay for discharge rather than occupancy and for the achievement of basic outcomes instead of just putting the child through the program. Additionally, aggregate data on movement out of this type of care should be public record. Savings would be in the millions annually.			
13.	Consider contracting with providers already serving children for case-management services; and length of stay guidelines should be established which can be measured and compared to norms. The Non-Profit or Community-Based Agencies providing care and services to the children are a very valuable, cost-effective resource, which should be encouraged by open communication and involvement with state agencies.			
14.	Maximize federal adoption incentives and facilitate the adoption process by providing a weekly update of the number of adoptions that have been completed, thereby allowing children to have permanent homes, while freeing up money in the foster care system. This could pull down federal adoption incentive money and save foster care dollars.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
15. Develop outcome measures and data to be able to create incentives within the agency to produce individuals who no longer need the services of the agency. Such an action should require service providers to focus on outcomes rather than the number of services provided.			
16. Encourage counties and municipalities to develop public/private partnerships for the creation of family resource centers in every county and/or service area to focus specifically on prevention issues. See Appendix N for information on the Family Services/Resource Centers.			
17. Examine the possibility of issuing one child support check per month.			
18. Evaluate and consider reducing the number of days that certain services are offered (food stamps, child support). This would not adversely impact client services while offering staffing cost savings.			
Total:	**$7,800,000**		

Property Recommendations

1. All DHR facilities /properties are rented. If DHR goes to a regional form of operation, some leases could be terminated. Estimated savings would depend on the restructuring, and are thus unknown at this time.			
Total:			

Fees, Tax and Funding Recommendations

1. Enact legislation to charge a fee for family day care, home/group care, and home licenses at a rate of $100 per provider per license issued. Enact legislation to charge a fee for day care center licenses at a rate of $250 per provider licensed for 13 to 75 children per licensed issued, and $400 per provider licensed for more than 75 children per license issued.	$350,000		
2. Enact legislation to charge a family day care home license application fee of $25. Enact legislation to charge a day care center license application fee of $75.	$50,000		
3. Charge a fee for child support services through DHR. Currently the only cost to the recipient of services is a $25 application fee. DHR could charge a percentage of collections to the custodial parent, the recipient of the services. The revenue would have to be shared with the federal government at a rate of 66.75%, thus netting the state about $680,000 per percentage point charged. A fee against the non-custodial parent would be much more difficult to impose and generate less revenue.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
4. Establish reasonable fees for all licenses issued by DHR to operate a child placing agency, group home, shelter, or child care institution. There are approximately 100 of these facilities that are issued licenses following inspections in accordance with standards. Significant costs in staff time are incurred but there are currently no charges for the licenses at the time of initial application or during the biannual review period. Revenue would depend on the amount of fees.			
5. Revenues could also be increased by raising the amount of the fees charged by DHR for adoption investigations involving children not placed for adoption by DHR. The current fee for this service is $300 and the rate charged by private professionals for the same service is $750 to $1000. These current fees are not retained by DHR. They go to the State General Fund.			
6. Require reasonable fees for the dissemination of non-identifying family information and for searches conducted to locate birth parents for adults who were placed for adoption in Alabama. The staff time and resources involved in these searches are extensive and are provided free to the adoptee. An average of 400 adopted adults come to DHR each year for information and to request searches and reunions with their birth families.			
7. Impose fines for the violation of licensing requirements and as penalties for licensing violations.			
8. Increase fees under Section 26-10-4.1, Code of Alabama 1975, to require a fee for investigations performed in domestic and other cases in which DHR is not a party.			
Total:	$ 400,000		
Grand Total:	$8,200,000		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

Potential Cuts if Additional Savings and/or Fees and Revenues Do Not Address the Shortfall

This information has been provided by the Finance Director of DHR as potential cuts, given a worse-case scenario.

Potential Cut	*Federal Dollars Lost*	*General Fund Savings*
1. Reduce state funding in the Child Day Care Program to the MOE level.	$ 22,803,334	$ 9,427,517
2. Eliminate all services except protective services that are mandatory within the Adult Protective Services Program.	0	$ 4,363,476
3. Reduce contract rates by 10 percent within the Child Residential Care Program.	$ 857,143	$ 2,000,000
4. Reduce contract rates by 10 percent within the Child Therapeutic Foster Care Program.	$ 550,000	$ 2,000,000
5. Reduce district attorney contracts by 10 percent within the Child Support Program.	$ 742,500	$ 325,000
6. Reduce foster care board rates to $8 per day within the Child Foster Care Program.	$ 1,297,533	$ 2,530,468
7. Cancel all case aide contracts within the Child Welfare Program.	$ 1,904,000	$ 896,000
8. Layoff 1365 employees.	$ 21,589,169	$ 22,470,360
Subtotal:	**$ 49,743,679**	**$ 44,012,821**

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Mental Health and Mental Retardation

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate the Department of Mental Health and Mental Retardation into the Division of Mental Health and Mental Retardation within one new umbrella Agency of Health. This consolidation initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Continue the implementation of DMH/MR's Consolidation Plan (See Appendix L).	$10,633,794		
3. Consolidate the contracting operations of divisions.	$75,000		
4. Consolidate the administrative and support functions of the Tuscaloosa facilities.			
5. Review state office lease agreements.			
6. Outsource computer services.	> $1,000,000		
7. Emphasize the marketing of faith and community-based initiatives particularly with regard to drug abuse. Additionally, greater coordination with the Department of Corrections and the Courts offers an opportunity to save money by providing drug rehabilitation rather than incarceration.			
8. Examine and maximize interstate and/or intrastate purchasing of medications. The State of Georgia reported a decrease in Medicaid prescriptions spending of 22% per month in 2000. The rate slowed to a 6% decrease in 2003. See Appendix G for more information regarding Georgia's intra-state purchasing program. Aggregate state employee, teacher employee, and all public costs involving pharmaceutical benefits. Consider models that include mail-order prescriptions, robotics, VA, and central fill processes.			
Total	$>11,708,794		
Property Savings			
Total	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
Property Revenue			
1. Centralize all of the DMH/MR real estate and property management functions for all leased and/or owned properties to ensure that these properties are most efficiently utilized. Maximize the use of such properties for use or sale to maximize money for departmental use or the General Fund. See Appendix M for information regarding the current use of DMH/MR's real estate.			
Total	$		
Fees, Tax and Funding Recommendations			
1. Enforce the policy of having consumers pay the costs of inpatient mental health care.	$ 2,000,000		
Total:	**$ 2,000,000**		
Grand Total:	**$>13,708,794**		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Public Health

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge all of the existing health-related agencies within one new umbrella Agency of Health. The following divisions within the new Agency of Health would consolidate, include, and merge the existing health related agency functions: Division of Public Health; Division of Mental Health and Mental Retardation; Division of Health Planning, Licensure and Certification; Division of Senior and Rehabilitation Services; and a Division of Medicaid and All Kids. This consolidation initiative should examine the regional offices, locations, and properties in which these services had historically been provided which could result in the co-location of services, and one-stop shops to increase efficiencies and reduce costs. The Head of the umbrella Agency will be politically appointed by the Governor and will have expertise in the respective area. The Division Heads may be political appointees, but should have specific qualifications and expertise in the respective areas. The Division Heads will be subject to the supervision and direction of the Agency Head; however the Head of the Public Health Division will be the State Public Health Officer (M.D.) and appointed by the State Board of Health. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Modify departmental enabling legislation to allow the delivery of statewide services on a regional basis and, to the extent feasible, aggressively pursue co-locating these agencies' offices with other regional offices developed by ADPH, as well as, utilizing public sites for offering outreach services in counties where ADPH offices are closed. The regional delivery of services and the co-locating of agency offices would be more efficient and effective in both administration and funding. Furthermore, utilizing public sites for offering outreach services would result in significant cost savings. Specific savings would depend on the various potential modifications to ADPH's current organization.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
3. Utilize the competitive acquisition of a client server financial or cost accounting system. The outcome would be a cost savings of $104,000 per year for the first five years increasing to $275,000 after the fifth year, improved user interface and vastly enhanced management reporting tools.	$104,000		
4. Utilize the competitive acquisition of broadband services to county and/or regional health departments. The outcome would be to double the connection speed to at least aT-1 broadband, and save and improve services.	$307,000		
5. Re-engineer the data systems. The current ISD system is costly and undertaking a re-engineering initiative could save $104,000 in one year and $250,000 in each subsequent year.			
6. Consolidate the eligibility determinations for CHIPS and Medicaid eligible beneficiaries via a common application.			
7. Consolidate the Elderly and Disabled Waiver Program and Senior Services Division to eliminate duplication utilizing the excellent model developed by the Department of Senior Services.			
8. Encourage counties and municipalities to develop public/private partnerships that would coordinate with family resource centers in every county and/or service area to enhance the delivery of public health services. See Appendix N for information on the Family Services/Resource Centers and item 16 on the DHR recommendation form.			
9. Review the costs associated with departmental clinical laboratories and determine the cost effectiveness of outsourcing all or part of this function or consolidating the work of these labs.			
10. Examine and maximize interstate and/or intrastate purchasing of medications. The State of Georgia reported a decrease in Medicaid prescription spending of 22% per month in 2000. The rate slowed to a 6% decrease in 2003. See Appendix G for more information regarding Georgia's intra-state purchasing program. Aggregate state employee, teacher employee, and all public costs involving pharmaceutical benefits. Consider models that include mail-order prescriptions, robotics, VA, and central fill processes.			
Total	**$411,000**		

Property Savings

1. Close the Decatur and Dothan laboratories.	$650,000		
Total	**$650,000**		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
Fees, Tax, and Funding Recommendations			
1. Enact legislation necessary to increase fee authority for licensure activities to cover the additional costs of non-federal facility inspections. Charge fees for the 11 counties that do not currently have fee bills for flu shots and legally mandated programs such as restaurant inspections and onsite sewage septic tank installation and inspections. Increase fees for health facility licensure to improve the ability of the department to ensure the quality of care in facilities such as ALFs and abortion clinics.			
2. Institute statewide regulatory inspection fees.	$1,400,000		
Total:	**$1,400,000**		
Grand Total:	***$2,461,000***		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Rehabilitation Services

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

Efficiency/Consolidation Recommendations

		Cost Reduction/Savings Amount	Net Savings	Running Total
1.	Consolidate and merge all of the Department of Rehabilitation Services in the Division of Senior and Rehabilitation Services within one new umbrella Agency of Health. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2.	Enact legislation to provide a 25% discount on college in-state tuition for ADRS consumers.	$1,600,000		
3.	Enact legislation that would allow Alabama to join technology-purchasing consortiums for computers, servers, and other technology items in order to reduce the cost of hardware items purchased by state agencies. Assuming a $100 per savings per PC/Laptop purchased would save ADRS approximately $20,000 per year based on 20% of the department's PC's being replaced each year (five-year cycle).			
4.	Implement a new medical billing software system that will improve upon the utilization of third party resources available to children served to maximize electronic billing and streamlining the claims process.			
5.	Implement a video-conferencing system. The video-conferencing equipment was purchased through a federal grant. We estimate that approximately $65,000 was saved in travel cost during FY 2003. Last year was a start up year with full implementation in the last 6 months of the year.	$20,000		
6.	Initiate a Telework program allowing certain state employees who may be in need of reasonable accommodation to work from their homes. This could potentially reduce the need for additional office space and increase the productivity of some workers. Cost savings are difficult to calculate.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
7. Continue to off load applications from the mainframe. Many of the software applications currently run on the state's mainframe at a significant cost to the agency could be run on a multi-processor server costing much less than the agency's monthly mainframe costs. ADRS has reduced its mainframe costs over four years from the $76,000 per month to $35,000 per month.			
8. Explore offering medical subspecialty consultations through telemedicine in order to enable families in rural areas to better access subspecialty physician expertise and also avoid having to travel to Birmingham or Mobile.			
9. Explore possible cost savings through re-engineering software that supports each program area in order to maximize the efficiency of staff and enter data directly into the computer system, avoiding the need to give the information (on paper) to support staff for entry. Since 1996 new software to support Vocational Rehabilitation, Welfare to Work, Independent Living, SAIL/Homebound Medicaid Waiver, and Early Intervention programs has allowed the department to reduce the number of support staff slots in the Vocational Rehabilitation program, reduce mainframe costs, and serve more clients with minimal increases in staff.			
10. Investigate the effect of decreasing and/or cutting the ADA Hotline – Rehab Services would absorb all of these calls.	$23,535		
11. Examine reducing the number of case workers.			
12. Investigate the effects of eliminating the General Fund appropriation to the Department of Rehabilitation Services for the Eye Injury Register.			
Total	**$1,643,535**		

Property Savings

n/a			
Total	**$**		

Property Revenue

n/a			
Total	**$**		

Fees, Tax and Funding Recommendations

1. Increase the percentage of fines allocated to the Department of Rehabilitation Services from Car Seat, Seat Belt, and DUI violations to support services for infants/toddlers with disabilities.			
Total:	**$**		
Grand Total:	**$1,643,535**		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Senior Services

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

Efficiency/Consolidation Recommendations

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Consolidate and merge all of the health-related services within the Department of Senior Services into the Division of Senior and Rehabilitation Services within one new umbrella Agency of Health. Consolidate and merge all of the human services functions of the Department of Senior Services into the Division of Adult Services within one new umbrella Agency of Human Services. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Amend the State Bid Law to authorize food service contracts to be awarded from the current three years to a maximum of seven years. Senior Services anticipates a lower per meal bid price as a result of this amendment. There is tremendous staff time invested in developing the complex and technical bid specifications for this contract, costing the department approximately $14,000 - $20,000 each time they are required to bid this service.			
3. Introduce legislation, if necessary, to allow partnering social service agencies to share common client data. These partnering agencies could have read-only access to this shared client data, thereby reducing redundant data entry and storage, and allowing greater flexibility in information sharing. Cost savings would be realized by less staff time in maintaining the data and greater data integrity among the partnering state agencies.			
4. Explore coordinating federally mandated, statewide issues like HIPAA, ADA, and Olmstead to affect cost savings.			
5. Promote consumer directed care by establishing a maximum monthly service budget for elderly clients and allowing them to select the mix of services best suited to their needs.			
6. Consolidate the Elderly and Disabled Waiver Program and Senior Services Division to eliminate duplication utilizing the excellent model developed by the Alabama Department of Senior Services.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
7. Consolidate any of the children's services being provided by the Department of Senior Services within the Division of Children's Services in the new umbrella Agency of Human Services.			
Total	$		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
n/a			
Total:	$		
Grand Total:	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Department of Senior Services

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge all of the health-related services within the Department of Senior Services into the Division of Senior and Rehabilitation Services within one new umbrella Agency of Health. Consolidate and merge all of the human services functions of the Department of Senior Services into the Division of Adult Services within one new umbrella Agency of Human Services. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Amend the State Bid Law to authorize food service contracts to be awarded from the current three years to a maximum of seven years. Senior Services anticipates a lower per meal bid price as a result of this amendment. There is tremendous staff time invested in developing the complex and technical bid specifications for this contract, costing the department approximately $14,000 - $20,000 each time they are required to bid this service.			
3. Introduce legislation, if necessary, to allow partnering social service agencies to share common client data. These partnering agencies could have read-only access to this shared client data, thereby reducing redundant data entry and storage, and allowing greater flexibility in information sharing. Cost savings would be realized by less staff time in maintaining the data and greater data integrity among the partnering state agencies.			
4. Explore coordinating federally mandated, statewide issues like HIPAA, ADA, and Olmstead to affect cost savings.			
5. Promote consumer directed care by establishing a maximum monthly service budget for elderly clients and allowing them to select the mix of services best suited to their needs.			
6. Consolidate the Elderly and Disabled Waiver Program and Senior Services Division to eliminate duplication utilizing the excellent model developed by the Alabama Department of Senior Services.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
7. Consolidate any of the children's services being provided by the Department of Senior Services within the Division of Children's Services in the new umbrella Agency of Human Services.			
Total	$		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
n/a			
Total:	$		
Grand Total:	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Alabama Medicaid Agency

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

Efficiency/Consolidation Recommendations

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Consolidate and merge all of the Alabama Medicaid Agency's functions into the Division of Medicaid and All Kids within one new umbrella Agency of Health. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Place a cap on the number of Medicaid nursing home beds in the state (See Executive Order #14 in Appendix O) thereby decreasing reliance on nursing homes and increasing the utilization and funding of community-based programs. A community-based option would cost $2,040 per month/per resident versus $3,600 per month/per resident in nursing home beds.	$15,960,000/yr		
3. Repeal the Medicaid nursing home reimbursement statute that establishes the nursing home reimbursement to allow Medicaid the flexibility to adjust nursing home provider reimbursements as the agency does for all other providers. It is recommended that the bed tax provision remain intact.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
4. Develop disease management programs. Chronic diseases such as cardiovascular disease, cancer, diabetes, and arthritis are particularly prevalent in older people. Faced with tight fiscal constraints and soaring Medicaid budgets, states are pursuing new strategies to reduce the cost of caring for patients with costly chronic diseases. Chronic diseases, (such as cardiovascular disease, asthma, cancer, and diabetes), are among the most prevalent, costly, and preventable of all health problems. Seventy-eight percent of the nation's total medical care costs, including almost eighty percent of total Medicaid expenditures, can be attributed to the treatment of chronic conditions. "Disease management" (DM) provides a strategy for states to improve patient health outcomes and limit health care spending by identifying and monitoring high-risk populations; helping patients and providers better adhere to proven interventions; engaging patients in their own care management; and establishing more coordinated care interventions and follow-up systems in order to prevent unnecessary health complications. More than 20 states are currently developing and implementing Medicaid DM programs.			
5. Include anti-psychotic drugs on the preferred drug list. NGA reported that the State of Florida saved $127 million in the first year of its PDL and supplemental rebate program's operation.	$4,000,000 - 5,000,000		
6. Establish a process whereby pharmaceutical suppliers must provide a rebate in order to be placed on the PDL. This figure reflects the potential savings if rebates are made mandatory.	$20,000,000		
7. Strengthen the nursing home eligibility from 300% of poverty to 200% of poverty; qualifying income trust may prevent cost-savings.			
8. Enact legislation to change the reimbursement methodology for nursing homes which will reduce incentives. The incentives are included in the per diem rate calculation and the issue is to discontinue paying them. The savings amount includes some other changes in the reimbursement methodology also such as removing the provider tax as an allowable cost and changing the property cost reimbursement to actual cost in lieu of fair rent.	$25,500,000		
9. Consider reducing the authorized hospital stay from 16 to 14 days.	$ 2,500,000-3,000,000		
10. Re-evaluate the medical and financial criteria for nursing home admissions.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
11. Examine and maximize interstate and/or intrastate purchasing of medications. The State of Georgia reported a decrease in Medicaid Rx spending of 22% per month in 2000. The rate slowed to a 6% decrease in 2003. See Appendix G for more information regarding Georgia's intra-state purchasing program. Aggregate state employees, teacher employees, and all public costs involving pharmaceutical benefits. Consider models that include mail-order prescriptions, robotics, VA, and central fill processes.			
12. Examine the use of a pharmaceutical benefit manager to look at the collective benefit of negotiating for the best price for pharmaceuticals. Currently, the State of Alabama spends $600 million on prescription drugs.			
13. Repeal the CON Law that allows the addition of 10% of nursing home beds.			
14. Consider limiting the number of prescriptions for Medicaid recipients.			
15. Review and evaluate every contract for rebidding and/or outsourcing to obtain maximum savings, such as EDS, pharmacy review, etc.			
16. Pursue efforts to develop and/or enhance IT system hardware to enable the department to screen for erroneous charges and prevent fraud, waste, and abuse, and to coordinate other third party payor benefits.			
17. Decrease the maximum allowable charge (MAC) from the 65th to 60th percentile.	$5,000,000		
18. Consider consolidating, eliminating, or privatizing third party collections.			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

	Cost Reduction/Savings Amount	Net Savings	Running Total
19. Consolidate the eligibility determinations for CHIPS and Medicaid eligible beneficiaries via a common application.			
Total	$72,960,000 – 74,460,000		

Property Savings

n/a			
Total	$		

Property Revenue

n/a			
Total	$		

Fees, Tax and Funding Recommendations

1. Consider modifying legislation to allow for increasing the provider tax on prescriptions from 10 cents to 15 cents per prescription and consider reducing the per prescription dispensing fee that is currently set at $5.40.			
Total:	$		
Grand Total:	$72,960,000 – 74,460,000		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Child Abuse and Neglect Prevention Board

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge all of the Child Abuse and Neglect Prevention Board functions into the Division of Children's Services within one new umbrella Agency of Human Services. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
Total	$		
Property Savings			
Total	$		
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
n/a			
Total:	$		
Grand Total:	$		

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Department of Children's Affairs

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Eliminate the Department of Children's Affairs and consolidate any remaining essential children's functions within the Division of Children's Services within one new umbrella Agency of Human Services.			
Total			
Property Savings			
n/a			
Total	$		
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
Total:	$		
Grand Total:			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Department of Children's Affairs

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Eliminate the Department of Children's Affairs and consolidate any remaining essential children's functions within the Division of Children's Services within one new umbrella Agency of Human Services.			
Total			
Property Savings			
n/a			
Total	$		
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
Total:	$		
Grand Total:			

Health and Human Services Subcommittee Ideas for Costs Savings and Revenue Producing Options to be Considered by the Commission

November - December 2003

Department of Veterans Affairs

These are the recommendations of the Health and Human Services Subcommittee of the Governor's Commission on Efficiency, Consolidation, and Funding. These recommendations are the result of discussions with various state agencies and are for consideration by the Commission.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Efficiency/Consolidation Recommendations			
1. Consolidate and merge the Department of Veterans Affairs into the Division of Veterans Services within one new umbrella Agency of Human Services. This consolidation and merger initiative would entail a thorough evaluation utilizing the Annie Casey Foundation Project to investigate the appropriateness of such an action by the State of Alabama. Additionally, see the NGA Overview of State Health Agency Restructuring Initiatives (Appendix A) and the Illinois model (Appendix B) for illustrations for further consideration and implementation.			
2. Investigate working collaboratively with DIR to share technology resources to enable the consolidation, elimination, and/or regionalization of local offices developed by DHR and ADPH, as well as utilizing public sites for any services needed in counties where offices are closed.			
3. Examine the use of state dollars funding the veterans affairs nursing homes and hospitals to maximize the benefit to veterans and federal matching dollars, possibly under Medicaid. Explore qualifying veteran affairs nursing homes for Medicaid benefits for the purpose of maximizing federal match dollars subject to the cap on nursing home beds.			
Total	$		
Property Savings			
n/a			
Total	$		
Property Revenue			
n/a			
Total	$		
Fees, Tax and Funding Recommendations			
Total:	$		
Grand Total:	$		

APPENDIX A

Table 1. Overview of State Health Agency Restructuring Initiatives

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
ALASKA State Contact: Rod Moline Project Manager Department of Health and Social Services phone: (907) 465-1605 rod_moline@health.state.ak.us	Component of an umbrella agency	Component of an umbrella agency (plus senior services)	Implemented by July 1, 2004	Interagency and intra-agency: Moved all health, social, and senior services to one agency. Integrated administrative functions including human resources, legal, information technology, and financing in one agency unit.	Medicaid, mental health, substance abuse, Title V MCH, WIC, SCHIP, social services, senior services	Authorized by Executive Order 108. Developed by work group with implementation overseen by project manager assigned to the health commissioner's office.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
ARKANSAS State Contact: Jim Wilson Agency Leadership Team Member phone: (501) 661-2835 Jim.Wilson@healthyarkansas.com	Super public health agency	Traditional public health agency	Implemented July 1, 2003	Inter-agency: Alcohol and drug abuse prevention transferred from the department of health to the department of human services.	Alcohol and drug abuse prevention programs	Approved by legislature. Developed by work group comprised of staff from the departments of health and human services, and providers.
COLORADO State Contact: Cynthia Hossinger Deputy Executive Director Department of Public Health and Environment phone: (303) 692-3472 cynthia.honssinger@state.co.us	Traditional public health agency (plus environment)	Traditional public health agency (plus environment)	Completed	Intra-agency: Health promotion and disease prevention programs merged into one public health division. Emergency medical services consolidated with health facilities division.	Public health prevention programs, emergency medical services	Approved by the executive director, department of public health and environment. Implemented by department staff.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
HAWAII State Contact: Jane Kadohiro Deputy Director of Health Department of Health phone: (808) 586-4412 Jane.K.Kadohiro@hawaii.gov	Super public health agency	Super public health agency	Implemented by September 2004	Intra-agency: Key functions consolidated within one office within the department of public health.	Environmental planning, state laboratories, informatics	Approved by health commissioner. Developed through department's strategic planning process.
KANSAS State Contact: Roderick Bremby Secretary Department of Health and Environment phone: (785) 296-0461 rbremby@kdhe.state.ks.us	Traditional public health agency (plus environment)	Traditional public health agency (plus environment)	Completed	Intra-agency: Centralized health functions within public health agency.	Title V MCH, WIC, health promotion, health facilities, child care licensing, food inspection, epidemiology	Authorized by executive branch. Lead oversight responsibility by Secretary of Health and Environment. Developed by special study and departmental work group.

STATE	Existing Health Agency Structure[I]	Health Agency Structure *After* Restructuring[II]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
MAINE State Contact: Kathryn Monahan Ainsworth Senior Policy Advisor Maine Office of the Governor phone: (207) 287-3531 kathryn.m.ainsworth@maine.gov	Component of an umbrella agency	Component of an umbrella agency	In planning phase with expected completion by 2005	Intra-agency: Combining departments of human services, and behavioral and developmental services.	Medicaid, mental health, substance abuse, Title V MCH, WIC, SCHIP, social services	Evaluation of health agency structure authorized by 2003 budget bill. Governor's Task Force issued report outlining details of restructuring in January 2004. Legislation to implement restructuring plans will be introduced in the 2004 legislative session.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
MARYLAND State Contact: Richard Proctor Chief of Staff Department of Health and Mental Hygiene phone: (410) 767-5660 ProctorR@dhmh.state.md.us	Component of an umbrella agency	TBD	In early planning phase. A task force report outlining restructuring recommendations was submitted to the Maryland General Assembly on December 1, 2004. Restructuring under consideration.	Intra-agency: Legislative Task Force studying health agency structure, including the effects of transferring the developmental disabilities and mental hygiene administrations, and the medical assistance program from the department of health and mental hygiene.	developmental disabilities, mental health, and Medicaid	H.B. 761 authorized creation of a legislative task force to study restructuring in the department of health and mental hygiene. The department of legislative services provided staffing to the task force. Report findings were submitted to the Governor and General Assembly on December 1, 2004. Under a separate effort, Executive Order 01.01.2003.21 established a Governor's Commission on the Structure and Efficiency of State Government to conduct a review of review of programs and agencies, with recommendations for streamlining systems.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
MASSA-CHUSETTS State Contact: Ed Kiely Acting Chief of Staff Executive Office of Health and Human Services phone: (617) 727-7600, ext. 202 Ed.Kiely@state.ma.us	Component of an umbrella agency	Component of an umbrella agency	Completed some aspects of restructuring; full implementation to be completed by June 2004	Interagency and Intra-agency: Created office of health services to coordinate policy and program development across health-related agencies and functions. Created a single state agency for Medicaid, elevating it within the executive office of health and human services. Integrated human resources, legal and financial management services.	Medicaid, mental health, substance abuse, Title V MCH, SCHIP, WIC, social services	Restructuring proposal enacted as part of FY 2004 budget in June 2003. Initiated by gubernatorial initiative to improve and redefine the health and human services system. Executive Committee serves as primary steering committee for initiative, and works with agency head team and program-related steering committees.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
MICHIGAN State Contact: Pamela A. Paul Shaheen Health and Human Service Advisor, Office of the Governor phone: (517) 373-4083 ppshaheen@michigan.gov	Component of an umbrella agency (excluding social services)	Component of an umbrella agency (excluding social services)	Completed	Interagency: Transferred health licensure services to the department of community health.	Health facilities and professional licensing	Authorized by Executive Order (Number 2003-14). Developed by working group with lead responsibility for implementation by the health commissioner.
MONTANA State Contact: Gail Gray Director Department of Public Health and Human Services phone: (406) 444-5622 ggray@state.mt.us	Component of an umbrella agency	Component of an umbrella agency	Implemented by August 2004	Intra-agency: Consolidated Medicaid, children's mental health services, and services for children with special health care needs in division of child and adult health resources.	Medicaid, mental health, SCHIP	Authorized by Legislative Resolution. Developed by agency work group with oversight of implementation by department director.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
NEBRASKA State Contact: Christine Petersen Policy Secretary Health and Human Services phone: (402) 471-9433 christine.petersen@hhss.state.ne.us	Component of an umbrella agency	Component of an umbrella agency	In initial planning phase and discussions	Intra-agency: Exploring restructuring to meet Governor's behavioral health reform plan. Details of restructuring are in development.	Mental health	Authorized by the Governor. Planning and implementation by the health and human services system policy cabinet
NEVADA State Contact: Alex Haartz Deputy Administrator Nevada State Health Division phone: (775) 684-4200 e-mail: ahaartz@nvhd.state.nv.us	Component of an umbrella agency	Component of an umbrella agency	Implemented: December 30, 2003	Intra-agency: Consolidation of early childhood intervention programs, currently located in human services umbrella organization, with public health agency.	Title V MCH and Part C, Individuals with Disabilities Education Act	Executive branch agency level authority with legislative concurrence. Developed by health commissioner with involvement of steering committee.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
NEW HAMPSHIRE State Contact: Lori Real Director Office of Health Planning and Medicaid Department of Health and Human Services phone: (603) 271-5254 lreal@dhhs.state.nh.us	Super health agency	Super health agency	In early planning phase with recommendations for restructuring completed by December 31, 2003	Intra-agency: Examining consolidation of office of health planning (Medicaid) with office of community and public health	Medicaid, mental health, substance abuse, Title V, WIC, SCHIP, social services	Restructuring plan developed by health commissioner with small agency work group. Legislative approval needed for restructuring initiative.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
NEW MEXICO State Contact: Ruby Ann M. Esquibel Special Assistant to the Secretary, Department of Health phone: (505) 827-2275 e-mail: Ruby.esquibel@health.state.nm.us	Super public health agency	Super public health agency	Implemented by 2004	Interagency: Creating an aging and long-term care department which transfers Medicaid program functions from human services and traumatic brain injury from department of health. Intra-agency: Restructuring hospital facilities within programmatic divisions and considering restructuring of community health improvement and collaboration processes.	Medicaid, mental health, substance abuse	Evaluation of state agency structures authorized by Executive Order 2003-013 and proposed legislation. Developed through a Governor-appointed task force with a working group and town hall meetings convened by the Lieutenant Governor and cabinet secretaries.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
NORTH DAKOTA State Contact: Arvy Smith Deputy State Health Officer Department of Health phone: (701) 328-3070 asmith@state.nd.us	Traditional public health agency	Traditional public health agency	Implemented by July 1, 2004	Intra-agency: Consolidated programs within department of health. Dismantled division of MCH and placed in division of community health.	Title V MCH and WIC	Authorized and approved by Governor. Developed by special study and working group led by health commissioner.
PENNSYL-VANIA State Contact: Gregory Howe Executive Policy Specialist Office of Health Care Reform phone: (717) 705-6624 ghowe@state.pa.us	Traditional public health agency	TBD	Restructuring is under consideration with focus to be determined	Governor Rendell created the office of health care reform to examine health care reform. Restructuring will be considered in conjunction with health care reform priorities.	TBD	Planning will be conducted through the Governor's office of health care reform.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
SOUTH CAROLINA State Contact: Bonne J. Drake Director Agency Policy and Planning Department of Health and Human Services phone: (803) 898-2505 drakebj@dhhs.state.sc.us	Traditional public health agency (plus environment)	Component of an umbrella agency	Restructuring is under consideration	Interagency and Intra-agency: Separate restructuring proposals have been advanced by the state legislature and governor. H 3768 calls for reform and restructuring of the state Medicaid program, and other changes to the health and human service system. The Governor's MAP Commission recommends consolidation of health and human services under a cabinet-level position (Secretary of Health and Human Services).	Medicaid, social services agency, all of public health population-based programs, including Title V MCH	The Governor's Management, Accountability, and Performance (MAP) Commission issued a November 2003 report that includes recommendations for health agency restructuring (www.mapcommission.sc.gov/index.html). Legislative approval is needed for most recommendations that would be advanced by the Governor's office.

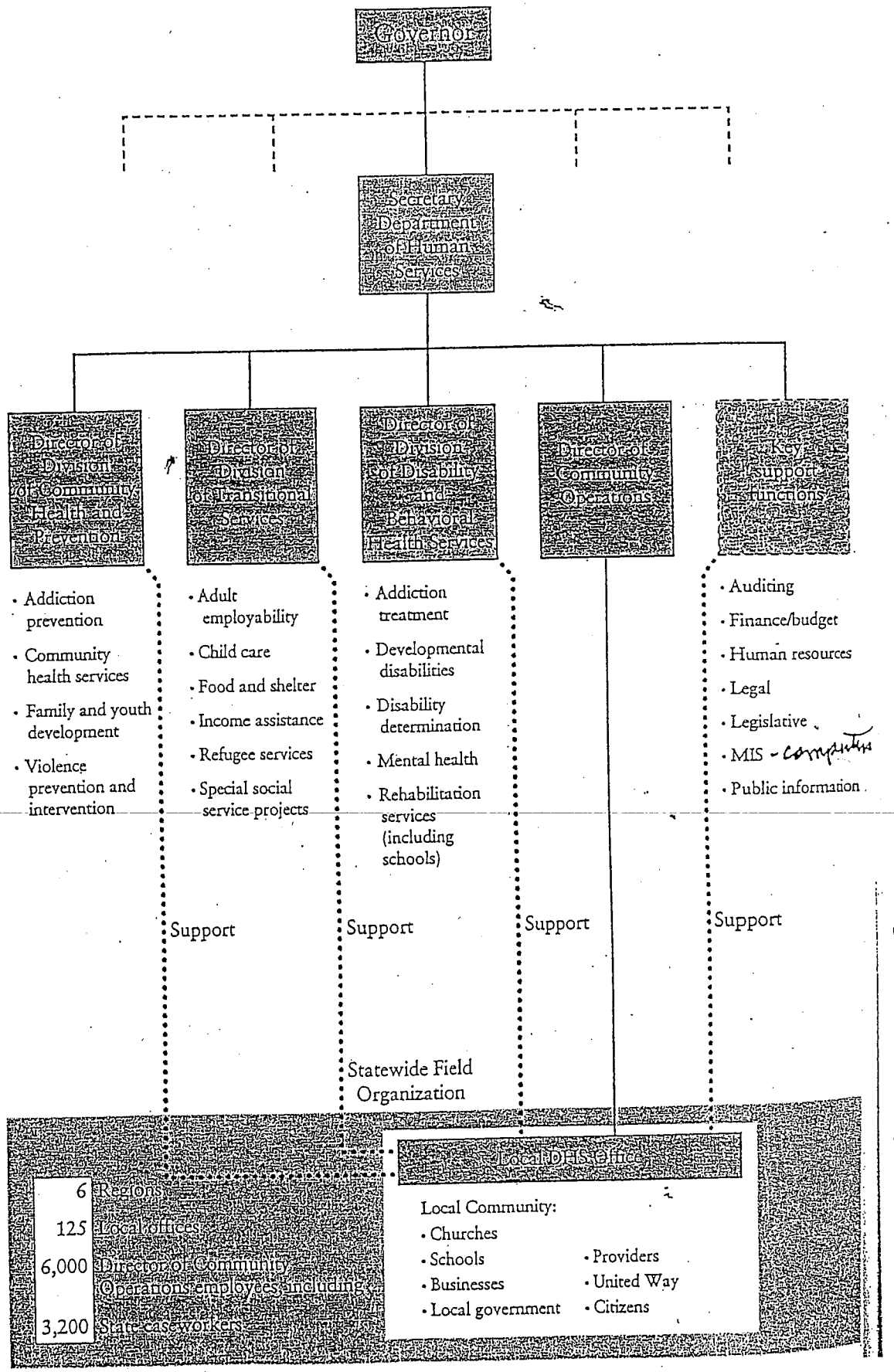
STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
WEST VIRGINIA State Contact: Chris Curtis Acting Commissioner Bureau for Public Health phone: (304) 558-2971 chriscurtis@wvdhhr.org	Component of an umbrella agency	Component of an umbrella agency	Early planning phases for restructuring to public health with implementation by July 1, 2004. Medicaid restructured with implementation by xxx	Intra-agency: Planning for possible consolidation of some public health programs within bureau for public health to increase organizational efficiencies. Medicaid restructuring to improve efficiencies	Title V, WIC, public health services, Medicaid	Approved by secretary of health and human resources. Restructuring plans developed through strategic planning process with oversight by directors of bureaus for public health, and medical services.

STATE	Existing Health Agency Structure[i]	Health Agency Structure *After* Restructuring[ii]	Time Frame	Restructuring Highlights	Programs and Services Affected	Authorization, Governance and Development
WYOMING State Contact: Phyllis Sherard Deputy Director of Programs Department of Health phone: (307) 777-7656 pshera@state.wv.us	Component of an umbrella agency (excluding social services)	Component of an umbrella agency (excluding social services)	Completed: July 1, 2003	Intra-agency: Restructured to realign programs and services based on functions of the department. Created three deputy-level positions with consolidation of programs within those divisions.	Consolidation of health programs within department.	Developed through strategic planning process with oversight by director of department of health. Final plan approved by Governor.

[i] Description: *Traditional public health agency* (e.g., programs and services are focused solely on public health); *Super public health agency* (e.g., programs and services are focused on public health, mental health, substance abuse); *Super health agency* (e.g., programs and service are focused on public health and Medicaid); *Component of an umbrella agency* (e.g., programs and services are focused on public health, mental health, substance abuse, Medicaid, social services)
[ii] TBD (to be determined): State is in the early planning phase of considering or undergoing restructuring.

APPENDIX B

Figure 9. The New Integrated Community-Connected Human Services System (Illinois)



APPENDIX C

The State.com

Posted on Wed, Dec. 03, 2003

Sanford advocates leasing more vehicles

Governor says S.C. should sell about one-third of fleet

By JENNIFER TALHELM
Staff Writer

South Carolina could save millions of dollars by selling a third of its fleet — or 6,155 vehicles — and leasing or renting cars for state employees, Gov. Mark Sanford said Tuesday.

Selling those vehicles and a surplus maintenance garage in the Vista would net $33.7 million, he said. He would spend $25 million of that to reduce health care costs for state employees next fiscal year.

"Twenty-five million dollars will go a long way toward helping fund a critical need," he said. And by leasing or renting vehicles rather than owning and maintaining them, the state would save $8.5 million annually in operating costs, he said.

Sanford's announcement at the Springdale fleet management facility was the first public glimpse of his state budget proposal. He will release all of his spending plan by early next year.

Under his plan, the state would keep school buses, cars used by colleges and universities and all Department of Transportation vehicles. Also exempt would be specially outfitted vehicles used by the departments of Corrections, Juvenile Justice, Disabilities and Special Needs, and law enforcement agencies.

All other passenger cars, trucks and vans would be rented or leased from private companies, such as GMAC.

About half of the 30 fleet workers would lose their jobs if his proposal becomes reality, he said.

Saving money will be a prime issue as legislators start writing the state budget in January. They will consider the governor's proposal as well as other ideas.

Lawmakers already are arguing over whether to raise taxes to plug a multimillion-dollar shortfall. They need to come up with an estimated $350 million or cut services next year.

House Speaker David Wilkins said he had read a news release about the governor's vehicle plan but had not talked with Sanford's office about the idea. Wilkins said he was very interested in Sanford's proposal.

"I think it has a lot of merit. I look forward to getting all the details," he said.

Sanford proposed the change even though his own government efficiency commission gave South Carolina's fleet maintenance department high marks this year. The department was praised for customer service and for low costs.

But Sanford said he thinks the state could still do better by turning to the private sector.

Standing in a dusty parking lot surrounded by many of the cars he wants to sell, Sanford pointed to bar charts comparing South Carolina's fleet with other states'. The line for South Carolina towered over the others.

Excluding school buses and higher education vehicles, he said, the state has 15,052 vehicles, while North Carolina and Tennessee have fewer than 10,000, and Alabama has about 5,700.

N.C. officials later told The State that Sanford's number did not reflect their total fleet because it did not include 8,700 Department of Transportation vehicles. That brings North Carolina's total to more than 18,000 vehicles, excluding school buses and higher education vehicles, they said.

Sanford's office acknowledged that North Carolina's figures are correct. But because North Carolina's population is nearly double the Palmetto State's, South Carolina state government still has twice as many vehicles per capita as North Carolina, Sanford said.

He believes renting or leasing vehicles can bring substantial savings, in part because the state would no longer purchase vehicles.

For example, it costs the state about 39 cents per mile to maintain a sedan, but leasing or renting from a private company would cost about 28 cents, according to the governor's office.

Other states have considered selling their fleets and leasing from companies. North Carolina's legislature studied it in 2001 but determined a state-run fleet was cheaper. North Carolina's per-mile cost for a midsized sedan is 23 cents, according to its fleet management director.

Sanford said his proposal reflects what he will try to do with the whole budget — hand some functions to the private sector and allow the state to focus on things government can do well, such as education.

"What we're trying to do with our budget is simply to say ... are there ways of freeing up assets from marginal activities to use in another activity."

Reach Talhelm at (803) 771-8339 or jtalhelm@thestate.com.

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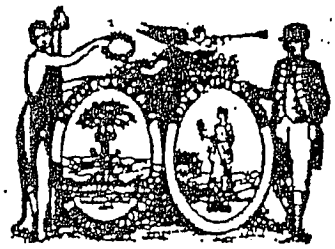
APPENDIX D

State of South Carolina
Executive Department

FILED
JUN 10 2003
Mark Hammond
SECRETARY OF STATE



Office of the Governor

EXECUTIVE ORDER NO.

2003-15

WHEREAS, the economic health of this State is a top priority for our citizens; and

WHEREAS, as chief executive of the State, I am charged with improving the way our state government does business; and

WHEREAS, it is necessary to determine ways in which government systems and services can be made more productive, more efficient and less costly, while providing an emphasis on customer satisfaction and productivity; and

WHEREAS, other states and the federal government have successfully undertaken similar efforts and identified sound management practices while enhancing accountability and performance, thereby serving the best interests of their citizens.

NOW, THEREFORE, I do hereby establish the Governor's Commission on Management, Accountability, and Performance (the "Commission").

1. The Commission shall analyze government systems and services in South Carolina in an effort to propose changes which will reduce costs, increase accountability, improve service, consolidate similar functions, return functions to the private sector, and help South Carolina be more competitive in a world economy.

2. The Commission shall be comprised of fourteen members appointed by the governor, one of whom shall serve as chair, and the Lieutenant Governor and Comptroller General as *ex officio* members.

3. The Commission shall be authorized in the furtherance of its mission to hold public hearings, conduct site visits of government agencies, and take such other actions as it deems necessary and advisable.

4. The Commission will release its final report by September 30, 2003.

5. The Governor's Office and the Office of the Executive Director, Budget and Control Board, shall provide staff support as necessary to assist the Commission in carrying out the directives of this Executive Order.

This Order shall take effect immediately.

GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE OF SOUTH CAROLINA, THIS 10th DAY OF JUNE, 2003

MARK SANFORD
Governor

ATTEST:

MARK HAMMOND
Secretary Of State

EXECUTIVE SUMMARY

WHERE ARE WE?

Before casually suggesting major changes in the way state government operates, the commission looked closely at where South Carolina stands. Certain vital statistics are important to understanding a state and its government. Some statistics are straightforward and unoffending. For example, South Carolina's population is currently 4,107,000 and ranks 25th among the states. The percentage of growth in population from 2000 to 2002 was +2.1%. Its current population of individuals under 18 years old is 25.2%, and its 65 and older segment is 12.1%, both ranking around 30th among the states.

But some vital statistics are troublesome. For instance, the infant mortality rate in South Carolina is at 8.7 per 1,000 births and this ranks our state 6th among all states. Violent crime per 100,000 population is at a rate of 720 annually and places South Carolina 5th highest in the nation. The unemployment rate, though changing constantly, is approximately 5.4% and gives the state 8th place in state rankings. The percentage of residents living below poverty level is 14.1% and ranks South Carolina 13th among states. Finally, traffic fatalities are high, comparatively speaking. Traffic fatalities are 2.3 per 100 million vehicle miles placing South Carolina 3rd among the 50 states.

This picture of South Carolina is unacceptable. The MAP Commission believes we must work diligently to address the underlying problems suggested by these statistics. Our state leaders must concentrate our plentiful human resources and energies on improving the health, safety and quality of life for all South Carolinians. Thus, the question, "Why reform state government?" Vital statistics, we feel, give us cause to pursue serious change.

PREVIOUS STUDIES

Dozens of previous studies have been conducted and have resulted in recommended changes to the way South Carolina's government is organized and operates. These studies have documented serious and systemic problems with state government, yet they largely have gone unheeded. Many of the recommendations found in this report echo suggestions by the Legislative Audit Council, the KPMG Performance Audit Review, the Commission on Government Restructuring, and other special study committees during prior administrations.

In the past 80-odd years, for example, the State of South Carolina has conducted 14 major reorganization studies. These studies have consistently found that state government in South Carolina has too many governmental units, making it fragmented, unwieldy, and

unaccountable. These reorganization studies have argued — unsurprisingly — for fewer state agencies and departments, increased coordination, better management systems, and an improved "chain of command" with clearer lines of authority and responsibility. Prior to 1993, there were some 145 autonomous state entities. Today, there remain roughly 55 independent agencies, boards and commissions, besides the 13 cabinet agencies, other divisions, and a "long ballot" of nine statewide constitutional officers.

The MAP Commission believes that these previous studies and recommendations by internal and external groups alike are a succession of evidence — confirmation, if you like — for undertaking substantial reform. The commission feels strongly that it is time to restructure key support functions and to realign programs and services to eliminate duplication of effort, inefficiencies and poor service quality. The MAP Commission's study and all previous studies confirm that state government is, in many senses, broken, and is in need of repair. The members of MAP believe this comprehensive report adds one more compelling reason to rethink and reinvent state government in the Palmetto State.

The Financial Crisis

The MAP Commission clearly recognizes the dire financial crisis of state governments across the nation.

In the biannual report recently published by the National Governors Association and the National Association of Budget Officers, entitled The Fiscal Survey of the States, it finds that even with a substantial reduction in state spending, 37 states were obliged to reduce their budgets by more than $12.8 billion in FY 2002. In FY 2003, state budgets were reduced roughly an additional $9 billion.

In South Carolina the budget situation has worsened since May 2001. At that time, a 1% ($48 million) across-the-board reduction was ordered. In July 2001, budgets for FY 2002 were slashed another $176.5 million. Then a 4% cut ($204 million) took place in October 2001, and another 2.52% ($121.7 million) midyear cut occurred in March 2002.

FY 2003 began with a budget reduction of $144.7 million. In December 2002, an additional 5% cut ($246.6 million) was followed by a $120 million decrease in January 2003.

As of today the situation does not look promising. Speculation is that an extra $100 million reduction, sometime this fall, could impact the state's current budget for FY 2004.

The MAP Commission believes that this deepening financial crisis clearly precipitates a need to reform state government. With shrinking revenues, and unfavorable economic times in all probability ahead, state government needs to be seriously overhauled in order to maximize efficiency and worker productivity.

External Forces

National and international developments in the past decade significantly altered the responsibilities of state government. These include, but are not limited to, the war on terrorism, globalization and federal devolution.

Terrorism. In the short-term, states are certainly at risk of terrorism. States will find it necessary to undertake counter-terrorism steps. This will include mainly securing utilities, public buildings, etc. against terrorist strikes. It will also require attention to protecting IT applications and software.

In the long-term, whether these trends pose an increasing threat to South Carolina depends on a number of variables, including changes in international and domestic political currents, how the public and media react to terrorism, how governments deal with terrorism, and whether the terrorists themselves discontinue or change strategies and tactics.

MAP feels confident that state government priorities in South Carolina must be reassessed in light of potential security threats. Strengthening law enforcement and public safety functions such as inter-agency communication will aid in the war against terrorism.

Globalization. People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. South Carolina has lost a great deal of its textile industry, for example, to overseas markets. This phenomenon has been titled "globalization." This globalization requires that government compete with neighboring states and with countries throughout the world for markets and commerce.

The MAP Commission recognizes the impact of globalization and believes that this is a motivating factor for upgrading our Information Technology and e-commerce capabilities.

Federal Devolution. Devolution is the transference of rights, powers or responsibilities to another, especially from a central government to local authorities. The past two decades have had profound implications for state government in South Carolina. The loss of substantial federal funding has been particularly pronounced. MAP believes this trend will continue and that state government will be required to do more for less.

The MAP Process: A Private/Public Partnership

COMMISSIONERS
- A bi-partisan body created by executive order
- 12 individuals from private sector, 2 constitutional officers

TASK FORCE VOLUNTEERS
- 10 Task Forces
- Over 300 volunteers from private sector, state employees and legislators

STAFF SUPPORT
- Over 30 staff and consultants supported this effort

PUBLIC HEARINGS
- 7 Hearings around the state

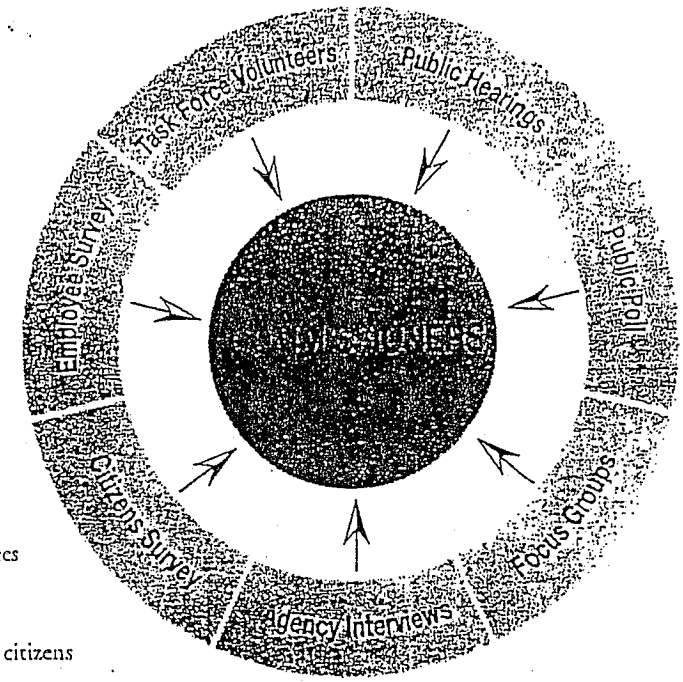
CITIZEN SURVEY
- Input received from 3,071 citizens

EMPLOYEE SURVEY
- Suggestions received from 12,391 state employees

PUBLIC POLL
- Opinions solicited from 500 randomly-selected citizens

FOCUS GROUPS
- Focused discussions with citizens and state employees

AGENCY INTERVIEWS
- Input solicited from directors of all state agencies



Making Government Work

South Carolinians want services, but they want them to be priority driven. And they want a government that is managed efficiently and effectively. In focus groups, in response to surveys and in public hearings, the people of South Carolina clearly stated that they are ready for change. In their words:

> *"Continue to strive to consolidate duplicated services by several agencies into one cohesive unit. I think this would help citizens who need help but don't know where to start to receive services they may need."*

"State government needs to be more accessible to the everyday citizen. When a citizen needs to use services provided by the state, they should have an easy, clear way to determine how to do it, without having to jump through multiple hoops."

"I experienced what I came to call the Kremlin culture ..... We've heard about collaboration, cooperation and cross-agency communication ad-nauseum. Let's have strong leadership to make that a reality...."

To accomplish these goals, an improved government structure would be one that:

- Provides for strict accountability (establishes clear lines of authority);
- Employs functional organization and management practices that eliminate wasteful spending (integrates functions into a smaller number of units);
- Identifies goals and objectives that solve real and identifiable problems;
- Measures the progress and costs of governmental activities, and based on these measurements, makes corrective actions as appropriate to maximize results;
- Makes use of technologies that aid in the resourceful and proficient delivery of services;
- Recruits and maintains competent personnel;
- Provides for citizen participation; and
- Emphasizes customer service and responsiveness.

Currently our state is comprised of some 55 independent agencies and 13 cabinet agencies within the executive or administrative arm of state government. These agencies fall inside several broad functional categories which include public and special education, higher education, health and human services, natural resources, regulatory functions and central administration.

For example, public and special education consists of several autonomous agencies in addition to the Department of Education. These agencies include the Wil Lou Gray Opportunity School, the School for the Deaf and Blind, and the John de la Howe School, in addition to the Educational Television Commission. Total funds for these schools in FY 2003 were $61,763,485 and total authorized full-time employees (FTEs) were 983.

Of even greater consequence, the health and human services area includes five major independent agencies with a staggering FY 2003 total budget of $1,385,482,694 and 16,401 total FTEs. These include Vocational Rehabilitation ($105,082,614 and 1,240 FTEs), the Department of Health and Environmental Control ($495,680,199 and

5,601 FTEs), the Department of Mental Health ($344,935,818 and 6,377 FTEs), the Department of Disabilities and Special Needs ($429,232,394 and 3,027 FTEs), and the Commission for the Blind ($10,551,669 and 156 FTEs).

Finally, the Budget and Control Board consists of eight divisions and 32 "offices" or units. Its functions include facilities management, procurement, transportation, retirement benefits, human resources, insurance services, budget management, research and statistics, information technology, audit and numerous others. It is headed up by an executive director and includes a chief of staff, board secretary, and general counsel. All total, the budget for the board is $240,214,752 and 1,279 FTE's.

Summary of Recommendations

In tackling the massive assignment to review state government, the MAP Commission decided first to look at the major support functions undergirding the work of each state agency. In other words, every agency has certain basic functions in common. Each has facilities, employees, information technology systems and vehicles; it operates on a budget; it serves a set of constituents. Seven of the ten MAP committees, therefore, focused primarily on specific functions that cut across all agencies of state government.

Another of the committees, Organizational Structure, examined the overall organizational chart for state government, including the executive branch and the many agencies, boards and commissions, to look for logical ways to streamline the structure. To measure the degree of satisfaction or dissatisfaction with state government, the Customer Satisfaction Committee focused its efforts on probing the opinions of citizens and state employees. Finally, one committee undertook an intensive operational review of one particular agency, the Department of Social Services, with an eye toward restructuring the internal organization to improve both efficiency and effectiveness.

In Organizational Structure, the commission finds that the state agencies operate as a collection of independent fiefdoms, and not as a cohesive whole. The commission therefore establishes clearer lines of authority and accountability by clustering agencies by major functions under a single cabinet secretary in order to eliminate costly overlaps and the unnecessary duplication of efforts. Clustered agencies remain as separate agencies and are not merged, but have their administrative functions consolidated to help assure that significant cost savings are realized. At the same time, the commission believes the constituents will experience a higher quality of service. The commission also recommends reducing the number of constitutional officers at least from nine to six — with the superintendent of education and the adjutant general being appointed by the governor with the advice and consent of the Senate, while the secretary of state's office would be consolidated into the Department of Revenue.

In Budgeting, Finance and Accounting, the commission focused on what it believed to be a number of critical issues pertaining to the financial management of state government. The state has already seen warning signs that many of its core systems are financially at risk, and the budget crisis has worsened in each of the last three years. The commission makes recommendations to alter the way we forecast revenues and use projections in the budget-writing process. We also recommend an increase in the Capital Reserve Fund from 2% to 3%, implementation of a statewide capital budgeting process and implementation of a performance-based budget system.

In Human Resources, the commission finds that human capital is the major resource in state government. The lack of a unified system that guides each agency's management toward the common goal of achieving excellence contributes to fragmentation and costly duplication of effort. There is insufficient emphasis on agency accountability; recruitment, retention and training of employee talent; human resources technology; the appropriate use of retirement; and the Teacher and Employee Retention Incentive (TERI) program. Therefore, there is a need for a central authority to hold agency management accountable in the consistent application of human resources policies.

Finally, retirement eligibility of more than 30% of the state's work force in the next five years poses a serious threat to the adequacy of our work force and elevates the need for agencies to properly apply recruitment, retention and training tools. The TERI program should be repealed prospectively and the South Carolina Retirement Systems (SCRS) statutes amended to conform to recent amendments to the Police Officer's Retirement Systems (PORS) statutes. This would result in a reduction in unfunded liabilities of $650 million and the amortization period from 24 years to 17 years.

In assessing Information Technology, the commission determined that technology must support the business objectives of state government, not drive them. Although technology can be an enabler to increase the value of the services government provides, technology must follow the customer-driven requirements identified by the agencies in providing services to their customers. Our goals included removing redundant systems, aggregating hardware and software purchases and reducing the labor-intensive work of managing the government's technology infrastructure. Today, the state's information technology is planned and procured in a highly decentralized manner. Over time, agencies have become more and more independent of any central IT organization. As they designed and built their own networks and data centers, they also hired their own IT staffs to manage and maintain these systems. This not only wastes millions of taxpayer dollars each year, but also leaves government IT systems potentially more vulnerable to security breaches. There are a number of specific recommendations to reverse this dangerous trend.

The Transportation Committee found that through cooperation of the various state agencies, State Fleet Management can manage the state's fleet of cars, light trucks and other vehicles up to one-ton capacity. The cooperation will also allow for the consolidation of some maintenance facilities. The formation of a Transportation Services Management Office will allow for coordination of transportation activities, including Human Services

Transportation, School Bus Transportation, and Aeronautics Operations. These changes, as the South Carolina Department of Transportation continues to work to improve the transportation infrastructure, will result not only in a savings of tax dollars, but also make for more efficient use of those dollars.

In reviewing Facilities and Capital Asset Management, the commission determined that the most significant need is for the creation of a central building authority with the ability to manage the acquisition, maintenance, utilization and disposal of real property. Although we attempted to prioritize and suggest properties for disposition as surplus, state government has never performed an overall portfolio analysis that would make information-driven decisions about the operating effectiveness of facilities owned or occupied by state agencies.

The Procurement Committee believes that changes in the state procurement process would better serve the state and its citizens. The committee recommends increasing the centralization of procurement information, increasing the funneling of solicitations that are common to multiple agencies and encouraging increased participation in the procurement process for in-state businesses as well as for small businesses. To this end, it is incumbent on state government to move toward a standardized procurement and financial/accounting system to reduce the requirement to process data from the various procurement systems throughout the state. Further, a centralized procurement system will lead to increased efficiencies through a reduction in the administrative burden, improved communication between agencies, improved access by the vendor community and improved management oversight of the entire procurement process.

The Public Safety Committee looked at those agencies with a significant public safety mission, including natural disaster preparedness and homeland security. The current lack of communications capability between law enforcement agencies and the lack of centralized procurement for all state law enforcement agencies were the primary concerns.

The Customer Satisfaction Committee probed public opinion through surveys, focus groups and opinion polls. While a majority of citizens are generally satisfied with the direction state government is heading, they would like to see "one-stop" shopping. They would also like to see standardization and sharing of data across agencies and programs, requiring information to be provided only once. State employees are overwhelmingly concerned about the recent budget cut-backs. They would like to see a streamlining of agency administration and process improvement initiatives involving frontline services providers.

Finally, the commission performed an operational review of the Department of Social Services using a team of employees from various levels within the agency and outside consultants to propose a structural reorganization of the department. The focus on improving efficiency and effectiveness in the delivery of core services to key clients includes an expanded use of information technology and improving communication, performance evaluation, quality assurance, and both strategic and short-term implementation planning.

Many of the recommendations for changing the way we do business in South Carolina can be implemented by the governor under existing executive powers if he believes them to be beneficial. The majority of recommendations require authorization by either the Budget and Control Board or the General Assembly, while a number would require constitutional amendments before being enacted. In as many places as possible, we have attempted to specify the body or the mechanism by which changes can be implemented.

The fiscal impact of the commission's recommendations is enormous. In keeping with the charge to find ways to save costs and improve efficiencies, we make recommendations that we estimate would save $225 million first-year and over $300 million annually thereafter. This is in addition to the estimated $650 million savings to be derived from prospective elimination of the TERI program.

Appendix I: Summary of Recommendations

Organizational Structure

1. The MAP Commission recommends at a minimum restructuring the Executive Branch from the nine existing constitutional offices to six constitutional offices.
2. The commission also recommends fourteen cabinet departments and clusters reporting directly to the governor.
3. The Office of the Secretary of State, through a constitutional amendment, should be eliminated and the responsibilities should be blended into the Department of Revenue.
4. A constitutional amendment should be proposed that would change the position of the Adjutant General from an elected office to an appointed office. The cabinet secretary should be appointed by the governor, with the advice and consent of the Senate.
5. State law should be amended to authorize a single cabinet secretary (Secretary of Health and Human Services), appointed by the governor with the advice and consent of the Senate, to oversee all health and human services agencies.
6. Create the Division of Senior Services reporting to the Cabinet Secretary of Health and Human Services.
7. Under the Secretary of Health and Human Services, the divisions should be aligned so that their community structures better serve their clients. The goal is for families and communities to become partners in the delivery of health and human services and to improve planning at the local level, improve communication across agencies and provide clearer, if not seamless, points of entry into the agencies.
8. Rename the existing Department of Health and Human Services as the Department of Healthcare Finance (DHF) and establish it as a department reporting to the newly created cabinet secretary for the health and human services agencies. The newly created Department of Health Finance essentially becomes the state Medicaid agency.
9. The Child Development Block Grant and the Social Services Block Grant functions should be moved to Department of Social Services.
10. The following two alternate courses of action should be further explored:
    A. Create the Division of Substance Abuse and Addiction Services reporting to the Secretary of Health and Human Services.

    -OR-

    B. Consolidate the Department of Alcohol and Other Drug Abuse Services and the inpatient addiction treatment services of the Vocational Rehabilitation Department within the Department of Mental Health. Vocational Rehabilitation should purchase required services from the Department of Mental Health.
11. A constitutional amendment should be proposed that would change the position of the State Superintendent from an elected office to an appointed office. The cabinet secretary should be appointed by the governor, with the advice and consent of the Senate.

12. The three "resource" schools should come under the State Superintendent of Education. This will facilitate the elimination of administrative costs and reduce the cost of serving students. This will also encourage the Department of Education and local school districts to make parents aware the schools are available.
13. If the utilization of the John de la Howe School cannot be substantially increased, consideration should be given to merge its students into the Wil Lou Gray Opportunity School.
14. The General Assembly should pass legislation to designate the John de la Howe School as the alternative sentencing option for Family Courts for non-violent offenders, including truants, and to give first priority for admission to the school for students sent by the Family Courts.
15. The Forestry Commission should manage and sell timber on the forested portions of the John de la Howe land, and money resulting from such sales should be placed in the General Fund.
16. A review should be made of the employees who are provided houses free-of-charge to live in while employed at the John de la Howe School. At present, each person provided an on-campus house pays only a partial cost of electricity.
17. The Education Oversight Committee and the Legislative Audit Council should review all existing legislation and regulations and recommend cohesive strategic legislation.
18. A legislative mandate is needed to ensure high teachers, college instructors, and business organizations collaborate on a plan that will allow graduating high school students' proficiency to meet expectations of the colleges and universities as well as the business community. A formal plan complete with minimum expectations should be established.
19. In an effort to have an adequate and efficient distribution of funds for all schools statewide, there should be some consolidation of the state's 85 school districts. The General Assembly should initiate legislation that defines appropriate criteria and timelines for the consolidation of school districts.
20. S.C. ETV should become part of the Public Education cluster.
21. All local school board members should receive appropriate training related to their position.
22. The Division of Chief Information Officer in the Budget and Control Board should be transferred to the governor's office and the position of the Chief Information Officer should be appointed by the governor.
23. The Department of Consumer Affairs, Department of Labor, Licensing and Regulation, and the Human Affairs Commission should be clustered reporting to a cabinet secretary appointed by the governor with the advice and consent of the Senate. Our recommendation implies a common administrative organization but not a consolidation of the agencies at this time.
24. Eliminate the Second Injury Fund and fold any residual functions into the Department of Insurance Cluster.
25. In order to make insurance-providing programs more accountable to their own customers and the citizens of South Carolina, give the Department of Insurance oversight of the rates they charge.
26. The Department of Insurance should become a self-funded agency through fees charged to the insurance industry.
27. Create an Insurance Fraud Division within the DOI. Estimates are that 30% of worker's compensation claims and medical claims are fraudulent. It is estimated that the number of fraudulent claims can be reduced to 5%. Also give the DOI oversight of the rates charged by the State Accident Fund, the Insurance Reserve Fund, and the State Employment Insurance Program.

28. Commission a study to quantify the benefits of bringing the Workers' Compensation Commission into the Insurance Cluster.
29. Create the Department of Administration Cluster (DA) to provide services to other agencies within state government. The DA is a cabinet level department with the director appointed by the governor with the advice and consent of the Senate.
30. The General Services Division, Insurance Reserve Fund, Office of Human Resources, Retirement Division, State Employee Insurance Programs, and Procurement Services Division should be transferred from the Budget and Control Board to the Department of Administration.
31. Establish a new division for Facilities and Capital Asset Management as part of the Department of Administration.
32. Establish a new division for Transportation Services Management.
33. The State Accident Fund (SAF) should be included in the Department of Administration Cluster and managed with the Insurance Reserve Fund.
34. Patient's Compensation Fund (PCF) should be folded into the Administration Cluster and eliminated, if and when serious tort reform is enacted.
35. The Jobs-Economic Development Authority should be moved to the Department of Commerce.
36. The Natural Resources cluster should be a cabinet level department headed by a secretary appointed by the governor with the advice and consent of the Senate.
37. The existing Department of Public Safety, State Law Enforcement Division, Department of Corrections, Department of Probation, Parole and Pardon Services, and the Department of Juvenile Justice should be moved to the newly created Public Safety Cluster. The newly created Public Safety Cluster is a cabinet level department with the secretary appointed by the governor with the advice and consent of the Senate. We are not recommending merging these agencies at this time, other than the Department of Corrections and the Department of Probation, Parole, and Pardon (see forthcoming recommendation), but rather placing them under a single point of accountability with a consolidated administrative function. The Criminal Justice Academy should either report directly to the cabinet secretary or to SLED with the director of the CJA appointed by the governor.
38. The Public Safety Cluster should continue and expand its collaboration and coordination efforts between the Department of Natural Resources and the Department of Health and Environmental Control in the areas of drug enforcement and anti-terrorism.
39. The current system of collecting and disbursing court fees and assessments should be streamlined, simplified and unified.
40. Legislation should be developed that would remove non-violent offenders, or some identifiable group of non-violent offenders, from the jurisdiction of the Adult Parole Board. The legislation would authorize SCDC to make release determinations on these offenders.
41. All "wilderness" programs that target at-risk youths within the Adjutant General's Office, John de la Howe School, Wil Lou Gray Opportunity School and those at the Department of Juvenile Justice should be administered by the Department of Juvenile Justice.
42. Exceptions to certain formulas should be made for the unique school districts operated by DJJ and the South Carolina Department of Corrections.
43. The subsidy to counties for use of juvenile detention facilities should be further explored as to its desired intent and purpose.
44. The Department of Agriculture should check a representative sample of fuel dispensers, weighing and measuring devices instead of checking all devices.

45. The Department of Agriculture should be granted authority to levy fines in cases of abuse. The Department of Revenue should be responsible for the collection of these fines and should retain an appropriate percentage to cover the cost of collecting these fines. The Department of Agriculture should also receive an appropriate percentage of all fines collected. The balance of fines collected should be deposited into the General Fund.

46. Agencies that provide employment related services should be clustered reporting to a cabinet level secretary appointed by the governor with the advice and consent of the Senate.

47. Consider consolidating the administrative functions of the agencies in the Culture Cluster.

Budgeting, Finance and Accounting

1. Expand the discussion of the logic underlying the forecasting methodologies of the Board of Economic Advisors (BEA).
2. General Assembly to approve BEA forecasting methodology.
3. Appointing authorities should agree upon and provide BEA members with appropriate written guidelines.
4. Convene monthly BEA meetings to review revenues relative to the certified estimate.
5. Eliminate certifying revenues "on the fly."
6. Increase the Capital Reserve Fund from 2% to 3% incrementally over four years.
7. Enact more rational and focused spending limitations based on a combination of growth in the state's population and growth in the CPI.
8. Discontinue the practice of funding recurring expenses with non-recurring revenues.
9. Prohibit gubernatorial line-item vetoes that cause a net increase in authorized appropriations over projected revenues.
10. Implement a statewide capital budgeting process.
11. Establish a state Capital Budgeting Authority.
12. Institute a performance-based budget system.
13. Make deposits of state revenues expeditiously and disburse monies at appropriate times to maximize investment earnings.
14. Manage agency surpluses more effectively and timely.
15. Create two classes of appropriations: Class A and Class B.
16. Eliminate the mismatch in revenues and expenditures resulting from using the "13th Month" of selected revenues.

Information Technology

1. Create a vision and strategy for customer service management to be efficiently implemented. Measurement of satisfaction is a must. The cost of the US postal service, phone, or personal interaction far exceeds the cost of delivering customer service electronically, so the state should focus on delivering the predominance of this service through the web.
2. Design and build a single web portal that offers aggregated information about the state – benefits, government and attractions - using standardized templates, content management and Customer Relationship Management (CRM) systems. All agencies must participate in the top-level organization and adopt a common "SC" look and feel.

3. Create a statewide, managed intranet that meets privacy and security needs through which the state's internal customers - employees - can access key information including human resources, retirement, schedules and forms.
4. Create a state clearinghouse – Citizen One-Stop – using a combination of knowledgeable people and workflow software to handle citizen queries and complaints. Working in conjunction with the governor's existing Ombudsman's Office, Citizen One-Stop offers citizens a single point of entry or pipeline into government that can increase access, reduce citizen frustration and increase accountability. Inquiries into a single shared database would follow an electronic workflow process with inquiries assigned to a single agency for response. System reporting capabilities would enable managers to track response times and increase accountability for satisfactory completion. This same centralized data can be mined for opportunities to realign resources and decrease overtime with needs.
5. Complete implementation of Business One Stop (BOS) project, to reduce time and expense for small businesses to complete initial paperwork when they enter business.
6. All IT planning, standard-establishment and policy setting should be centralized. Identify and consolidate common business objectives and the applications required to serve those objectives so the state can take advantage of economies of scale. Focus on fewer and more standardized platforms and applications.
7. All agencies must participate in a statewide inventory of existing hardware, operating systems and software/applications. This inventory should be automated with commercially available software.
8. Complete development of an Enterprise System Architecture. The purpose of such architecture is to provide a context of how technology is utilized within the enterprise and a road map for continual improvement/modification in the future.
9. The governor and an interim council of his creation should place a temporary hold on further development of approved or proposed IT initiatives that are or could be viewed as having multi-agency applicability until a permanent governance structure is in place. The office of the Interim CIO should provide a list of those projects put on hold.
10. The business case review of any new applications must include an analysis of "business readiness." This review will demand that relevant agency business processes are efficient to maximize the ROI for citizens.
11. The state should not be in the software development business. Application systems should be acquired utilizing a development/maintenance strategy.
12. Planning and budgeting processes will consider the life cycle of hardware and software so appropriate cyclical refreshment programs and budget priorities are implemented.
13. Procurement and Information Technology Planning should be appropriately funded by the legislature. If appropriate resources are not made available through legislative appropriation, the procurement office may self-fund through fees for services rendered. No fee greater than the minimum required to fund the CIO's budget for procurement services should be retained and all fees should be open to the State's Chief Budget Officer and the public. Any fees collected for services greater than that required for the tight operational budget of the CIO's office should be used to reduce charges to agencies in the subsequent year. A grievance process should be established to allow any agency that finds like services at a substantially different price than those furnished through the CIO's office to present their case and recommend action.
14. Procurement regulations must be changed to increase competition and access.

15. Information Technology procurement should reside within the Office of the CIO, as the CIO is better positioned to understand how technology applies to business objectives for a single agency or across multiple agencies.

Human Resources

1. Include the senior human resources person in the agency as a regular participant in the leadership activities of the agency (have a seat at the leadership table).
2. Initiate a statewide human resources strategic planning process.
3. Create a high-level function within the governor's office to reinforce agency accountability reports. The office should assess the reports for their completeness and use of evidence-based analysis. The office should prepare a report providing comparative assessments of agency against agency, progress from previous years, and comparison to national standards.
4. Charge OHR with specific authority for HR consultation, systems development, and support to agencies.
5. Hold agency heads and their leadership teams accountable for contributions to achieving the state's human resources goals and Corporate Vision, selection of quality candidates for open positions, managing performance and compensation, retaining high performers and separating ineffective performers, identifying and developing employees for leadership positions and employee participation in required training.
6. Charge OHR with studying the fiscal impact of high turnover in low-pay entry positions, such as correctional officers, to determine if higher pay scales would improve recruitment and retention costs.
7. Make the applicant process more "customer friendly" for the end user by using a simplified universal application form that is easy to complete and maximizes the use of the Internet.
8. Publicize vacancies through multiple points of access throughout the state.
9. Evaluate creating internship programs as a recruitment source for selected positions.
10. Assess the viability of centralizing or outsourcing the recruitment function while maintaining the hiring function at the agency level. Implementing such a plan will eliminate duplication of data and increase cost savings as well as enhance the ability to share applicant data between agencies.
11. Establish an agency Recruiters Council to share learning and group recruitment efforts among like agencies.
12. Encourage revision of the application of the Exemption from the Grievance Act Proviso to include only agency directors, their chiefs of staff and their deputies. (Note: This does not affect at-will employees under the 1993 Restructuring Act)
13. Implement clearly defined public service career paths.
14. Encourage the use of retention tools that are currently in place but are often not effectively utilized and require agency heads to report on their retention efforts in the annual accountability report.
15. Create a statewide competencies/skills assessment center with the capability to assess the skills and competencies of individuals and to assist agencies in assessing their competency needs. Assessment results would provide agency/employee (or potential employee) profiles to be shared across state agencies by creating a database of skill/competency sets available in the current/potential labor pool.
16. Establish a Senior Executive Service (SES).

17. Strengthen the screening process which requires confirmation by the S.C. Senate of all agency director positions appointed by the governor for the purposes of determining qualifications for appointees.
18. Require agencies to develop an Individual Employee Development Plan for each employee which is linked to the annual Employee Performance Management System (EPMS). This consolidated document will result in a streamlining of processes, and should include clear and measurable performance standards (quantitatively where possible) with direct correlation to the agency mission.
19. Utilize training as a performance development tool.
20. Create and require the use of assessment centers to identify high performers for leadership positions.
21. Require agencies to include performance evaluation measures and performance development program in accountability report.
22. Charge OHR with developing and implementing a mandatory performance driven, career-path training program. The path would include developmental programs for points in a career when there is a significant expansion in responsibilities and an important change in knowledge, skill or practice.
23. Utilize the SATC as an advisory mechanism to create the statewide training plan and develop standardized statewide core curricula.
24. Fund career path and core curriculum training as a line item in the State budget. Charge OHR with the responsibility to work with agencies to identify eligible participants and to provide training at no additional cost to agencies.
25. Determine the most effective and efficient manner to deliver career path and core curriculum training either at the agency level or through centralized sources. Utilize the SATC membership to develop a pool of qualified trainers. Evaluate the benefits of outsourcing the delivery of training to state higher education institutions or other sources.
26. Fully utilize technology to deliver training in order to reduce costs and standardize content/delivery.
27. Centralize administration of employee data and training investment management.
28. Charge OHR with developing and implementing an outcomes measurement system that would allow for determination of the return on investment (ROI) in training.
29. Create a developmental program for human resources professionals.
30. Allow, in so far as possible, state leadership to give agency management an opportunity to explain significant policy decisions to employees before release of information to the media and general public.
31. Train all state management personnel on how to best gain employee awareness, understanding, acceptance and commitment by interchanging thoughts, openness, information, data and facts through shared processes.
32. Require agencies to develop and use a written communications plan incorporating multiple communication channels to reach a maximum number of employees with timely, credible and comprehensive information.
33. Require agencies to develop and train supervisors to use feedback sources such as management by walking around (MBWA), open door practices, regular supervisor meetings, small group employee meetings, a telephone "Info/Hot Line" and anonymous feedback mechanisms such as "Q & A", or "Suggestion Box" and/or a link to an agency intranet site.
34. Continue the BearingPoint project as outlined in the South Carolina Information System Business Case Study prepared by the contractor in February 2003. The estimated costs, savings and statewide

5-year phased implementation plan are detailed in the report that is available in the Office of Human Resources. The HR and Payroll components savings is estimated to be approximately $20 million annually when implementation is completed.

35. Urge the General Assembly to mandate participation by all state government agencies as opposed to the optional participation language contained in H.3749 and to establish a separate line item budget each fiscal year to centrally fund the total project as opposed to requiring each agency to pay for implementation from within the individual agency's budget as described in H.3749.
36. Assign implementation and oversight responsibility for the HR and Payroll components of the project jointly to the Comptroller General's Office and the Office of Human Resources. OHR must be the office maintaining comprehensive human resources information for every state employee.
37. Develop an RFP, through an independent actuarial company, to solicit bids on the fully insured group Medicare Supplement program from private insurers and from the Department of Insurance for the State of South Carolina for retirees age 65 and over who receive health benefits from the State Health Plan.
38. Repeal the TERI program to be effective upon the governor's signature, create a process to administer the program for then existing TERI participants, and amend the SCRS statutes to conform to the recent amendments in Act # 4879 of 2001-02 made to the Police Officers Retirement System (PORS) statutes.

TRANSPORTATION

1. Create a new state Transportation Services Management Office under the Budget & Control Board or the governor's Office.
2. SCDOT should analyze and then develop innovative ways to fund future projects
3. Restructure some specific job functions by staffing SCDOT with experienced project managers and construction managers to manage and control projects and to develop a plan to gradually eliminate in-house design, surveying, construction inspection and testing forces.
4. Reduce the fees paid to engineering and surveying firms.
5. Consider having a panel knowledgeable in the industry, but with no financial interest, to negotiate large or special design contracts.
6. Continue to recruit and train surveyors and civil engineering firms of all sizes within South Carolina to produce plans and specifications to SCDOT and Federal Highway Administration standards.
7. Develop standardized prototype specifications for each roadway and bridge type to simplify design, construction and inspection.
8. When practical, separate construction projects into two or three bid packages and directly manage all construction projects.
9. Document the maintenance activities presently performed and determine which could be privatized.
10. Clearly define the SCDOT role for "Safety."
11. Be more open and accountable in the methods of funding projects.
12. More fully evaluate the expense side of SCDOT.
13. Examine projects on a "cost/benefit/safety ratio" basis.
14. Identify interested surveying and civil engineering firms resident in South Carolina and initiate a training program to qualify firms for SCDOT work. This would include minority and small businesses in an effort to spread the work. SCDOT should also identify interested construction

testing and maintenance companies in South Carolina and initiate a training program to qualify companies for SCDOT work.

15. The Department of Education should continue to provide consultation and training to district personnel responsible for the drivers and routes. The transportation management curriculum developed by SCDOE and SC State University should be made available to all district transportation coordinators.
16. Computerized routing and scheduling systems should be evaluated to help streamline the processes.
17. Transfer the student transportation program from Department of Eduction to the new Transportation Services Management Office charged solely with transportation.
18. Fund a recurring fifteen-year replacement schedule in the annual Appropriations Act. This replacement schedule of 375 new buses annually would increase safety for the students and decrease the cost of maintenance. In each of the next five years, 500 buses should be procured to catch up to the 15-year schedule / 250,000 mile replacement schedule.
19. The Department of Education should prepare an RFP for operation of the statewide bus system by a private company or companies and should prepare an RFP for a couple of regions within the state, to include one urban area packaged with several rural counties as a test case.
20. Recommend that the state fully bear the costs of transporting students as currently provided in Section 59-67-420 of the SC Code of Laws, seeking from the federal government full funding for unfunded mandates such as No Child Left Behind, English as a Second Language and magnet schools.
21. All the laws, rules and regulations pertaining to school transportation be examined and updated to reflect current programs and needs.
22. Consideration should be given to block grant funding for school districts to eliminate the costly shifting and charging of funds back and forth between the state and local districts.
23. Creation of a "Human Services Transportation Management Office" under the new Transportation Services Management Office. The funds, personnel and equipment for client transportation in the different agencies should be transferred to the new Transportation Services Management Office.
24. Each of the agencies or programs currently involved in client transportation appoint a member to a Statewide Transportation Coordination advisory body.
25. Each "service" area should have a Coordinated Public Transportation Advisory Board to oversee, support and ensure conformance with the Service Plan.
26. Governor should direct his Cabinet agencies the Departments of Health and Human Services and Social Services to transfer their client transportation programs to the new Human Services Transportation Management Office.
27. The 1/8 '00 Hawker ownership could be replaced with a 1/16 fractional ownership which would save approximately $200,000 in annual operating costs plus a one time $700,000 capital return.
28. In Columbia, the State's '90 King Air 350 would be retained and the two '70's vintage aircraft at USC could be replaced with a '95 King Air B200.
29. At Clemson, the two '70 vintage Turbo Commanders could be traded in for a '93 King Air C90-B at an expected even trade with a reduction of about $300,000 per year in operating costs.
30. The '83 King Air G-90-1 at MSUC in Charleston would continue.
31. Recommend centralized maintenance of aircraft at Aeronautics maintenance facility at Columbia airport.

32. Consolidate the four helicopters at SLED since they are all quick-response law enforcement missions.

33. Consolidate the fixed wing aircraft of SLED, Forestry and Natural Resources under the Aeronautics Commission.

34. The airport maintenance program, equipment and personnel be transferred to the SC Department of Transportation. The SCDOT has the equipment and personnel to take over this program. Mowing along the roadside and runway are very similar. However, safety training needs to be provided for employees working around airplanes. Airport support, which is generally development, maintenance or upgrading of airport facilities, should remain a function of Aeronautics because it is technical and safety related.

35. State Fleet Management (SFM) should assume responsibility for managing the State Fleet of cars, vans, light trucks and other vehicles up to one-ton capacity.

36. SFM lease rates be structured to include a flat rate common to all vehicle classes that would cover only insurance and fixed overhead costs, and a two tiered mileage rate tied to projected life cycle.

37. Recommend that fuel not be included in the mileage rate but billed as a separate line item pass-through cost to the end users.

38. Recommend that SFM statewide regulatory costs be recovered through a surcharge on the fuel purchases rather than recovered through lease rates.

39. Individual agencies, upon concurrence by the State Fleet Manager, should retain responsibility for managing fleets of generally large (over one ton), agency specific vehicles such as SCDOE's school buses and SCDOT's highway equipment, and Federally funded vehicles.

40. SFM should continue to provide a central motor pool in Columbia and at other locations where cost effective.

41. Require Agency Heads to justify to the governor and/or their boards the permanent assignment of all vehicles based on the annual "Break Even Analysis" prepared by SFM.

42. SFM should use the State Treasurer's Master Lease Program to finance the interim transition of state vehicles into the SFM Fleet.

43. Detailed analysis be performed to verify findings that there are cost effective investment opportunities to consolidate maintenance shops and, where justified, that shops be consolidated.

44. It is recommended that most of the 12 maintenance shops (excluding SCDOT & SCDOE) in the Columbia area be replaced over time by three or four large shops built in strategic locations (Shop Road, Bull Street, Broad River, and State Park if it is developed as a state health campus).

45. As has been previously recommended, SCDOT and SCDOE should consolidate their district and county shops over time as the existing shops are replaced. The new consolidated shops should also perform maintenance for other state, county and city vehicles in the area. The proceeds from the sale of the SCDOT and SCDOE sites in each county should be used to buy the land and construct the consolidated facility.

46. State Fleet Management should continue to expand its Commercial Vendor Repair Program, and include local governments.

47. All of the Department of Education school bus maintenance shops should immediately come under the State Fleet Management Shop Accreditation Program.

48. Create a centralized state travel office, utilizing existing state resources, within the Transportation Management Office.

Facilities and Capital Asset Management

1. As advocated by Governor Sanford, form a Department of Administration (DOA) responsible for the acquisition, disposal and management of all state-owned or state-occupied real property, except for universities and enterprise agencies. Proceeds from the sale of property would be received into a central real property account within DOA.
2. The ownership and record of state-owned and occupied real property will be handled by the DOA.
3. Eliminate the current (CPIP) requirement to obtain appropriations on all major maintenance projects and establish a separate maintenance budget that would be based on best commercial practice and benchmark costs per square foot.
4. So strong is our belief in the potential savings resulting from central ownership authority, we advise that all leasing and procurement activities of the state be held in abeyance until the above recommendations have been successfully implemented.
5. One of the first orders of business for the new DOA (or perhaps for the governor via Executive Order) should be a thorough analysis of state owned/occupied facilities by an independent consultant and a real estate firm with demonstrated expertise in dealing with large portfolios.
6. As a corollary to the previous recommendation, the selected independent firm retained by the state should include in its evaluation and analysis both the leasing as well as ownership elements as recited above, in conjunction with the GSD.
7. Target additional rate changes for camping and lodging based on demand and occupancy levels of the operations.
8. The Park Service, in conjunction with an external marketing firm, should develop a comprehensive marketing program.
9. The DOA, in conjunction with various agencies and the private sector, should institute sustainable growth management of mature forests in order for the forests to become financially self-sustaining.

Procurement

1. Increase the centralization of core procurement functions.
2. Develop a business management oversight and coordination process within state procurement to evaluate the need for specifications in large-scale solicitations by state agencies with the possibility of linking them to satisfy other agency or statewide requirements.
3. Develop a statewide electronic purchasing and financial accounting system that includes standardized commodity and service code sets.
4. Expand and improve the procurement information system. Minimize the processing complexities for purchases less than $25,000.
5. Allow state agencies more flexibility in the disposition of unspent appropriations and carry forward at the close of a fiscal year.
6. Create a standardized confidential questions and reporting system.
7. Maximize the expenditure of procurement dollars in-state where feasible.
8. Establish a new definition and requirements for being listed in a state procurement database as an "in-state" vendor
9. The state should consider "best value" evaluations of state-wide term contracts for commodities and services to favor in-state businesses where practical

10. Review and revise the existing exemptions in the procurement code.
11. Maximize the expenditure of procurement dollars with in-state small business vendors where feasible.
12. Establish a clear definition and requirements for being listed in the state procurement database as an "in-state small business" vendor.
13. The state should consider "best value" evaluations of state-wide term contracts for commodities and services to encourage increased consideration for in-state small businesses.
14. Encourage local small business vendors to bid on larger contracts.
15. Encourage the development of "incubator" business sectors. The Board of Economic Advisors, in cooperation with the Department of Commerce and state research universities, should determine which industries and sectors are to be labeled as incubators for development within the state.

Public Safety

1. Explore a consolidated procurement system for all state law enforcement agencies.
2. Consolidate projects and centralize project management.
3. Establish a centralized communications system.
4. Establish common policies, procedures and standards for communications equipment for all state law enforcement agencies and use a consolidated procurement for communications equipment. This will enable agencies to operate on like equipment, and thereby enable interoperability.
5. Review of all agency vehicle utilization and determine type and number of vehicles vital to the agency's public safety mission.
6. Utilize a consolidated leasing and purchasing program to enable the state to take advantage of price breaks on vehicles purchases and leases.
7. Consolidate all law enforcement vehicle maintenance and service facilities. This could enable agencies to pool resources and eliminate costly and duplicative maintenance facilities and service.
8. Consolidation and establishment of a centralized law enforcement data warehouse coupled with universal data base standards could enable real time access and protection of vital data to all users in the criminal justice process from arrest to parole.
9. Establish comprehensive processes and procedures to promote information sharing.

Department of Social Services

1. Structurally reorganize DSS by consolidating all administrative services along functional lines under a single Deputy Director and all operational, policy and program services under a single Deputy Director. Reorganize field operations to regionalize indirect services and retain direct services at the county (point of service) level.
2. Move daycare licensing to another Agency— perhaps DHEC, which has complementary regulatory functions.
3. Purchase and install an integrated Administration system.
4. Take steps to increase likelihood of success in completing the Child Support Enforcement System (CSES).

5. In concert with a fully empowered CIO, develop an overall architecture that will permit migration of all Social Service programs to an integrated system. Use either CSES or CAPSS as the lead system under this revised architecture.
6. Consider developing a coalition of small states to develop an integrated system that supports all social service programs distributing federal funds.
7. Build the interfaces between systems within DSS. Work with other agencies involved to develop similar interfaces.
8. Evaluate the use of laptops or other form of mobile computing compatible with DSS applications systems for caseworkers in the field, to include a cost/benefit of this use of technology.
9. Establish a formal strategic planning and budgeting process.
10. Institute a quality assurance program that provides both statistical and qualitative analysis of program efficiency and assistance in data driven policy and operational decision-making.
11. Develop and implement a single application process for all DSS services. Currently, an application process, requiring significant staff time, must take place with each new service a client receives. Note: Recommendation addressed in Information Technology Section. This would dramatically improve client satisfaction.
12. Provide caseworker laptops for casework documentation.
13. Devote greater effort to client education. Heavy paperwork loads prevent caseworkers from devoting adequate time on Independence Planning with clients. Addressing item 2 will provide resources (time) to address item 3.
14. Improve client communications though small improvements. Pursue documentation update management by mail. Develop large posters and brochures on documentation requirements for each service to avoid unnecessary repeat visits to caseworker.
15. The Agency should begin planning over the next few years, in the event supplemental TANF funds do not become available, to redirect TANF funding in a way that moves more resources directly to constituents and positively affects quality of life in South Carolina.
16. Implement a transition or change management model similar to the one undertaken in the SC Department of Commerce.

APPENDIX E

Colorado

8.393.2 SERVICE FUNCTIONS OF A SINGLE ENTRY POINT AGENCY (Continued)

A. Care planning shall include, but not be limited to, the following tasks:

Added. eff. 7/01/01

1. The identification and documentation of care plan goals and client choices;

Rev. eff. 7/01/01

2. The identification and documentation of services needed, including type of service, specific functions to be performed, duration and frequency of service, type of provider, and services needed but not available;

3. The determination of client co-payment and documentation of client choices, in accordance with program requirements;

4. The formalization of the care plan agreement, including appropriate signatures, in accordance with program requirements;

5. The authorization for services, in accordance with program directives, including cost containment requirements;

Added. eff. 7/01/01

6. The prior authorization of Long Term Home Health Services, ~~for Single Entry Point clients,~~ pursuant to 8.527.11.

7. The arrangement for services by contacting service providers, coordinating service delivery, negotiating with the provider and the client regarding service provision, and formalizing provider agreements in accordance with program rules;

8. The completion of program requirements for authorization of services;

9. Referral to community resources as needed and development of resources for individual clients if a resource is not available within the client's community;

10. The explanation of complaint procedures to the client;

11. The explanation of appeals process to the client.

8.393.4 STAFFING OF A SINGLE ENTRY POINT AGENCY

.41 Staffing patterns. The Single Entry Point agency shall provide staff for the following functions: receptionist/clerical, administrative/ supervisory, case management, and medical consulting services.

A. The receptionist/clerical function shall include, but not be limited to, answering incoming telephone calls, providing information and referral, assisting Single Entry Point agency staff with clerical duties, and entering data into an information management system.

Rev. eff. 3/01/02 B. The administrative/supervisory function of the Single Entry Point agency shall include, but not be limited to, supervision of staff, training and development of agency staff, fiscal management, operational management, quality assurance, case record reviews on at least a sample basis, review and signing of all HCA and AFC ULTC-100s, resource development, marketing, liaison with the Department, and, as needed, providing case management services in lieu of the case manager.

Rev. eff. 9/01/96 C. The case management function shall include, but not be limited to, all of the case management functions previously defined for Single Entry Point case management services, as well as resource development, and attendance at staff development and training sessions.

Rev. eff. 7/01/01 D. Effective 10/01/01, the contracted medical consultant services functions shall include, but not be limited to, an employed or contracted physician and/or registered nurse who shall provide consultation to Single Entry Point agency staff regarding medical and diagnostic concerns and long term home health prior authorizations. ~~for SEP clients.~~

.42 Qualifications of staff. The Single Entry Point agency's supervisor(s) and case manager(s) shall meet minimum standards for education and/or experience and shall be able to demonstrate competency in pertinent case management knowledge and skills.

LONG TERM CARE SINGLE ENTRY POINT SYSTEM 8.390 - 8.394.22

The long term care Single Entry Point system consists of Single Entry Point agencies, representing geographic districts throughout the state, for the purpose of enabling persons in need of long term care to access appropriate long term care services.

Legal Authority

Pursuant to C.R.S. 26-4-522, the state department is authorized to provide for a statewide Single Entry Point system.

8.390.1 DEFINITIONS

A. Agency Applicant means a legal entity seeking designation as the provider of Single Entry Point agency functions within a Single Entry Point district.

B. Assessment means a comprehensive face-to-face interview with the client and appropriate collaterals (such as family members, friends and/or caregivers) and an evaluation by the case manager, with supporting diagnostic information from the client's physician, to determine the client's level of functioning, service needs, available resources, and potential funding resources.

C. Care Planning means the process of identifying with the client and appropriate collaterals, goals and client choices for the care needed, services needed, appropriate service providers, and client co-payment, based on the client assessment and knowledge of the client and of community resources.

D. Case Management means the assessment of a long-term care client's needs, the development and implementation of a care plan for such client, the coordination and monitoring of long-term care service delivery, the evaluation of service effectiveness, and the periodic reassessment of such client's needs.

E. Corrective Action Plan means a written plan which includes the specific actions the agency shall take to correct non-compliance with standards, and which stipulates the date by which each action shall be completed.

F. Department shall mean the Colorado Department of Health Care Policy and Financing.

G. Failure To Satisfy The Scope Of Work means incorrect or improper activities or inactions by the Single Entry Point agency in terms of its contract with the Department.

H. Financial Eligibility means an individual meets the eligibility criteria for a publicly funded program, based on the individual's financial circumstances, including income and resources.

I. Functional Needs Assessment means a comprehensive face-to-face interview with the client and appropriate collaterals (such as family members, friends and/or caregivers) and a written evaluation on a state prescribed form by the

case manager, with supporting diagnostic information from the client's physician, to determine the client's level of functioning, service needs, available resources, potential funding resources, and medical necessity for admission or continued stay in certain long term care programs.

J. Intake/Screening/Referral means the initial contact with individuals by the Single Entry Point agency and shall include, but not be limited to, a preliminary screening in the following areas: an individual's need for long term care services; an individual's need for referral to other programs or services; an individual's eligibility for financial and program assistance; and the need for a comprehensive long term care client assessment.

K. On-Going Case Management means the evaluation of the effectiveness and appropriateness of services, on an on-going basis, through contacts with the client, appropriate collaterals, and service providers.

L. Private Pay Client means an individual for whom reimbursement for case management services is received from sources other than a state administered program, including the individual's own financial resources.

M. Program means a publicly funded program including, but not limited to, Adult Foster Care, Home Care Allowance, Home and Community-Based Services for the Elderly, Blind and Disabled (HCBS-EBD), Home and Community-Based Services for Persons Living with Acquired Immune Deficiency Syndrome (HCBS-PLWA), Home and Community-Based Services for People with Brain Injury (HCBS-BI), Medicaid nursing facility care, and case management services funded through the Older Americans Act (Title III-B).

N. Reassessment means a comprehensive face-to-face interview with the client and appropriate collaterals and an evaluation by the case manager, with supporting diagnostic information from the client's physician, to determine the client's level of functioning, service needs, available resources, and potential funding resources.

O. Resource Development means the study, establishment, and implementation of additional resources or services which will extend the capabilities of community long-term care systems to better serve long-term care clients.

P. Single Entry Point means the availability of a single access or entry point within a local area where a current or potential long-term care client can obtain long-term care information, screening, assessment of need, and referral to appropriate long-term care programs and case management services.

Q. Single Entry Point District means two or more counties, or a single county, that have been designated as a geographic region in which one agency serves as the Single Entry Point for persons in need of long term care services.

R. Single Entry Point Agency means the organization selected to provide case management functions for persons in need of long term care services within a

Single Entry Point District. Single Entry Point agencies may function as a Utilization Review Contractor.

S. State Designated Agency means a single entry point agency designated to perform specified functions that would otherwise be performed by the county department(s) of social services.

T. Utilization Review Contractor shall mean an entity or entities contracted with the Department of Health Care Policy and Financing to provide assessment, case management, training, monitoring, and/or utilization control for the following programs: Home and Community-Based Services for the Elderly, Blind and Disabled (HCBS-EBD), Home and Community-Based Services for Persons Living with Acquired Immune Deficiency Syndrome (HCBS-PLWA), Home and Community-Based Services for People with Brain Injury (HCBS-BI), Home and Community-Based Services for Persons with Mental Illness (HCBS-MI), Children's Home and Community Based Services, Medicaid nursing facility care, Program for All Inclusive Care for the Elderly (PACE), Estate Recovery, Private Duty Nursing (PDN), Children's Extensive Support, Hospital Back-up and PASARR. Single Entry Points are one type of Utilization Review Contractor.

U. Utilization Management shall mean the use of techniques designed to approve or deny admission or continued stay in selected long term care programs, based on the clinical necessity, appropriateness, efficacy, or efficiency of health care services, procedures, or settings. Techniques applicable to this Section 8.390 include prospective review/prior authorization, certification, concurrent review, or retrospective review.

V. Utilization Management Physician shall mean a physician contracted with a Utilization Review Contractor to conduct medical necessity reviews upon request for reconsideration for applicable long term care programs.

8.390.2 SINGLE ENTRY POINT CLIENTS

Persons shall access the above listed long term care programs through the single entry point agency that serves the single district in which they reside.

.21 Client characteristics. An individual who desires access to long term care services shall meet the following criteria:

A. The individual shall require skilled, maintenance and/or supportive services; and

B. The individual has functional impairment in areas of mobility, confusion, bowel or bladder function, activities of daily living, and/or instrumental activities of daily living, necessitating long term care services provided in a nursing facility, a residential alternative, or the individual's home; and

C. If the individual has a primary diagnosis of developmental disability or mental illness, the individual's needs are primarily for long term care services,

in accordance with specific program eligibility criteria; and

D. The individual receives or is eligible to receive medical assistance (Medicaid) and/or financial assistance under one or more of the following programs: Old Age Pension, Aid to Blind, Aid to Needy Disabled, Supplemental Security Income, or Colorado Supplemental, or as a 300% eligible, as defined at 8.485.50 below, receiving long term care services in a nursing facility or through one of the Home and Community-Based Services programs listed below at 8.390.22; or

E. The individual has long term care needs and has resources to pay for services without public assistance.

.22 Clients of publicly funded programs. Single Entry Point agencies shall provide case management to clients of publicly funded long term care programs including, but not limited to, Medicaid nursing facility care, Home and Community-Based Services for the Elderly, Blind and Disabled (HCBS-EBD), Home and Community-Based Services for Persons Living with Acquired Immune Deficiency Syndrome (HCBS-PLWA), Home and Community-Based Services for People with Brain Injury (HCBS-BI), Home Care Allowance, Adult Foster Care, and Older American's Act case management services.

.23 Utilization Review Contractors shall be authorized to provide Utilization Management to clients of publicly-funded long term care including, but not limited to, Medicaid nursing facility care, Home and Community-Based Services for the Elderly, Blind and Disabled (HCBS-EBD), Home and Community-Based Services for Persons Living with Acquired Immune Deficiency Syndrome (HCBS-PLWA), Home and Community-Based Services for People with Brain Injury (HCBS-BI), Program for All-Inclusive Care for the Elderly (PACE), Children's Home and Community Based Services, Estate Recovery, Home and Community-Based Services for People with Mental Illness (HCBS-MI), Private Duty Nursing (PDN), PASARR, Hospital Back-up and Children's Extensive Support Waiver.

.24 Program-specific eligibility criteria. Authorization to receive services through a publicly funded program shall be in accordance with the program's eligibility criteria.

8.391 SINGLE ENTRY POINT DISTRICT DESIGNATION

.10 Changes in Single Entry Point District Designation

A. In order to change Single Entry Point designation, a county or district shall submit an application to the Department, six months prior to commencement date of the proposed change. The application shall include the following information:

a. The geographic boundaries of the proposed Single Entry Point district;

b. Assurances that the proposed district meets all criteria set forth in Department rules for Single Entry Point district designation;

APPENDIX F

Oregon:

- Contract RN Service, created to systematically incorporate nurse delegation into Oregon's publicly funded community based programs—1994
- Independent Choices Demonstration, which by cashing out the value of a person's long term care benefit, provides the maximum amount of self-direction—2001
- The Home Care Commission, established by voter referendum to be the employer of record for purposes of collective bargaining on behalf of self-directed workers—2001

Single Entry Points: Streamlining Program Access

Oregon's single entry points have truly become a "one stop shop" where older people and adults with physical disabilities can obtain information on a wide range of topics including community services, health care, financial assistance, housing, transportation, public benefits, and other general resources useful to any person living in the community. Extensive outreach and public information efforts have made their information and assistance services widely known and available all persons, not just those seeking publicly funded services. Most single entry point agencies have established satellite offices in order to have a visible community presence in multiple locations.

More in-depth benefits counseling is available to help people select Medicare health plans, supplemental policies, and enrollment options available under the Oregon Health Plan, the state's Medicaid managed care program. Crisis intervention is provided through the entry point's adult protective services program and through after hours on-call support provided as part of the information and assistance service.

Single entry point roles, however, go far beyond information and counseling to include determining an individual's eligibility for Medicaid, food stamps, home and community based services, and nursing home care. After conducting an assessment to determine if an individual meets the criteria for receiving long term supports, the single entry point's case managers the program participant design a service plan and authorizes the services to be provided.

Ninety percent of the state's population resides in regions where area agencies on aging are the single entry point for older people. In the remaining regions, entry point roles are divided between two organizations, with area agencies providing information and assistance and managing Oregon Project Independence and the Older Americans Act and local offices of state government managing Medicaid long term care services. Most adults with physical disabilities access supports through the same entry points as older persons. However, if an area agency has chosen to only be an entry point for older people, local offices of state government serve adults with physical disabilities.

Assessment of Individual Needs

People seeking long term supports receive a comprehensive assessment conducted by a case manager employed by the single entry point. Over the past several years the Seniors and Disabled Services Division invested significant resources to develop a new automated tool, the

APPENDIX G

- What are the cost savings data for Georgia's Intra-state Rx Purchasing Program? How does it work?

The following is a summary of Georgia's intra-state purchasing pool for state-sponsored prescription drug benefits:

The state began by creating the Department of Community Health (DCH) with authority over the health benefits of the Board of Regents, State employee health plans, Medicaid, and SCHIP. DCH Units include:

* Medical Assistance, Public Employee Health Benefits, Health Planning, the Office of Women's Health, the Office of Minority Health, the Office of Rural Health, and the Men's Health Commission.

The Board of Regents is not technically a DCH unit, but does have a contractual relationship with DCH so that its University Health System health plan is included in DCH vendor contracts. Prior to this effort, Georgia Medicaid had no PDL, had limited prior authorization and quantity limits, and had limited Drug Utilization Review (DUR) edits, paper claim submission and a $.50 co-payment on all prescriptions.

Georgia used consultants, internal staff, and external interested parties to craft a Request for Proposals (RFP) for Pharmacy Benefits Manager (PBM) contract. They also worked with Centers for Medicare and Medicaid Services (CMS) to develop a contract. An RFP was released March 15, 2000. Express Scripts International was awarded the contract on May 24, 2000.

Services began for Medicaid October 1, 200, for Board of Regents January 1, 2001, and for State Health Benefit Plan on July 1, 2001. The PBM established and manages the Maximum Allowable Cost (MAC) Program;
manages the Medicaid-contracted network with rates specified by the state; maintains contracted custom networks for the state employee plan.

The State pays a pre-determined administrative fee to the PBM and allows
PBM to share in the employee program rebates (in lieu of a higher administrative fee).

* Program Design included features such as:

- MAC expansion
- PDL
- Tiered Co-pay for state health plan, Medicaid, and SCHP

- Provider Generic Incentive Program
- Expanded Concurrent DUR Edits
- Six letter-based disease management programs in which the PBM sends letters regarding patient health care to patients and their doctors.
- The PBM assists with Medicare Part-B cost avoidance, which means that a pharmacy has to send the claim for a Medicare-covered drug to Medicare, and the state will pay only for the balance that Medicare does not pay.
- Prior Authorization Changes
- Long Term Care intervention team

Georgia has a law that makes mail-order Rx from out of state illegal. This creates a barrier to cost-savings from mail-order.

APPENDIX H

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

State of Arkansas
84th General Assembly
Regular Session, 2003

A Bill

HOUSE BILL 2684

By: Representative Mahony

For An Act To Be Entitled

AN ACT TO RAISE NEEDED FUNDS FOR MEDICAID BY AMENDING THE ARKANSAS SOFT DRINK TAX ACT, § 26-57-901 ET SEQ.; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE ARKANSAS SOFT DRINK TAX ACT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 26-57-904(a), regarding the tax rate under the Arkansas Soft Drink Tax Act, is amended to read as follows:

(a) There is hereby levied and there shall be collected a tax upon every distributor, manufacturer, or wholesale dealer, to be calculated as follows:

(1) ~~Two dollars ($2.00)~~ Two dollars and fifty-seven cents ($2.57) per gallon for each gallon of soft drink syrup or simple syrup sold or offered for sale in the State of Arkansas;

(2) ~~Twenty-one cents (21¢)~~ Twenty-seven cents (27¢) per gallon for each gallon of bottled soft drinks sold or offered for sale in the State of Arkansas;

(3)(A) Where a package or container of powder or other base product, other than a syrup or simple syrup, is sold or offered for sale in Arkansas, and the powder is for the purpose of producing a liquid soft drink, then the tax on the sale of each package or container shall be equal to ~~twenty-one cents (21¢)~~ twenty-seven cents (27¢) for each gallon of soft drink which may be produced from each package or container by following the

manufacturer's directions.

(B) This tax applies when the sale of the powder or other base is sold to a retailer for sale to the ultimate consumer after the liquid soft drink is produced by the retailer.

SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the state is experiencing budgetary hardships due to a decline in the economic conditions in the state; that additional revenue is needed for Medicaid services in this state, that federal Medicaid matching money may be lost if additional revenue is not generated; and that this act is immediately necessary to ensure that essential services for low income and disabled individuals in this state are provided. Therefore, an emergency is declared to exist and this act being necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2003.

APPENDIX I

Projected Revenue for Alabama utilizing information obtained from the state of Arkansas
Soft Drink Tax

	Arkansas Totals			Alabama Projections		
Soda Item	FY 01	FY 02	FY03	FY 01	FY 02	FY03
Bottled and canned beverages	$29.1M	$29M	$29.6M	$48.4M	$48.2M	$49.2M
Syrup	$12.6M	$12.4M	$12.2M	$21.0M	$20.6M	$20.3M
Powders and bases	$115,000	$116,000	$132,000	$191,245	$192,908	$219,516
Audits	$173,000	$257,000	$158,000	$287,699	$427,391	$262,754
Totals	$42.1M	$41.8M	$ 42.1M	$69.9M	$69.4M	$70.0M

The soft drink tax projections for the state of Alabama were obtained by utilizing the State of Arkansas's current soft drink tax data and projecting these totals based on population. The projected revenues were derived by increasing the Arkansas soft drink revenue breakdown for fiscal years 2001-2003 from the Arkansas population to the Alabama population.

This was calculated by subtracting Arkansas's population (2,673,400) from Alabama's population (4,447,100), resulting in 1,773,700. The difference was divided by the Arkansas population, resulting in the percentage of 66.3%. The revenue amounts provided by Arkansas were then increased by 66.3% in order to project the soft drink revenue for Alabama.

APPENDIX J

Alabama Head Injury Foundation
AHIF
IMPROVING LIFE AFTER TRAUMATIC BRAIN INJURY

Reckless Driving

In the 1999 Regular Legislative Session, Senate Bill–507 sponsored by Senator Escott-Russell and the companion House Bill–310 sponsored by John Hawkins proposed to increase the minimum fine for reckless driving from $25 to $125 to deter aggressive and dangerous driving. A portion of the increased fine would be directed to the Impaired Drivers Trust Fund to serve citizens disabled by brain or spinal cord injuries.

SB-507 was introduced on May 11, 1999 passed the Senate Judiciary Committee on May 12 and subsequently passed the full Senate unanimously. HB-310 was introduced on March 11, 1999, passed the House Judiciary Committee on May 11 and was on the House Calendar when the Session ended.

Subsequent efforts to pass the legislation were made in 2000 (HB-236 by Hawkins; SB-194 by Escott-Russell) and in 2001 (HB-661 by Hooper and SB-232 by Mitchell, Bedford and Smitherman).

Other groups/entities which have expressed an interest in the revenue include the State Troopers Association, the Peace Officers Annuity and Benefit Fund, as well as the League of Municipalities.

A copy of the legislation as introduced in 2000 is attached.

MEMBER
National Committee on Planned Giving

United Way

3100 Lorna Road, Suite 226/Birmingham, AL 35216/Phone 205-823-3818/Fax 205-823-4544/www.ahlf.org

15148-2:N:01/24/2000:FC/agb LRS1999-5584R1

HB236
By Representative Hawkins
RFD Judiciary
Rd 1 01-FEB-2000

Under existing law, a person found guilty of reckless driving may be punished by a fine of not less than $25 nor more than $500 upon a first conviction, and by a fine of not less than $50 nor more than $500 on a second or subsequent conviction.This bill would increase the fine for reckless driving to not less than $125 nor more than $1,000 upon a first conviction and to not less than $250 nor more than $2,000 on a second or subsequent conviction. The bill would also provide for the distribution of a portion of the fines to the Impaired Drivers Trust Fund and provide a delayed effective date.

A BILL
TO BE ENTITLED
AN ACT

Relating to reckless driving; to provide an increase in the fines for violations and to further increase the fines on the first, second, or subsequent offenses; to provide for the distribution of the fines; and to provide for a delayed effective date.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 32-5A-190, Code of Alabama 1975, is amended to read as follows:

§32-5A-190.

"(a) Any person who drives any vehicle carelessly and heedlessly in willful or wanton disregard for the rights or safety of persons or property, or without due caution and circumspection and at a speed or in a manner so as to endanger or be likely to endanger any person or property, shall be guilty of reckless driving.

"(b) Every person convicted of reckless driving shall be punished upon a first conviction by imprisonment for a period of not less than five days nor more than 90 days, or by fine of not less than ~~$25.00~~ one hundred twenty-five dollars ($125) nor more than ~~$500.00~~ one thousand dollars ($1,000), or by both ~~such~~ fine and imprisonment, and on a second or subsequent conviction shall be punished by imprisonment for not less than 10 days nor more than six months, or by a fine of not less than ~~$50.00~~ two hundred fifty dollars ($250) nor more than ~~$500.00~~ two thousand dollars ($2,000), or by both ~~such~~ fine and imprisonment, and the court may prohibit the person so convicted from driving a motor vehicle on the public highways of this state for a period not exceeding six months, and the license of the person shall be suspended for ~~such~~ the period by the director of public safety pursuant to section 32-5A-195.

"(c) Neither reckless driving nor any other moving violation under this chapter is a lesser included offense under a charge of driving while under the influence of alcohol or drugs.

"(d) Except for fines collected for violations of this section charged pursuant to municipal ordinance, fines collected for violations of this section shall be deposited to the State General Fund; however, beginning October 1, 2000, of any amount collected over twenty-five dollars ($25) for a first conviction, and over fifty dollars ($50) for a second or subsequent conviction, the first one hundred dollars ($100) of that additional amount shall be deposited to the Impaired Drivers Trust Fund and the remainder shall be deposited to the State General Fund. Fines collected for violations of this section charged pursuant to a municipal ordinance shall be deposited to the general fund of the municipality; however, beginning October 1, 2000, of any amount collected over twenty-five dollars ($25) for a first conviction, and over fifty dollars ($50) for a second or subsequent conviction, the first one hundred dollars ($100) of that additional amount shall be deposited to the Impaired Drivers Trust Fund and the remainder shall be deposited as otherwise provided by law."

Section 2. This act shall become effective October 1, 2000, upon its passage and approval by the Governor, or its otherwise becoming law.

Criminal Law and Procedure

Motor Vehicles

Court, Municipal

Code Amended

Impaired Drivers Trust Fund

Alabama Head Injury Foundation

AHIF

IMPROVING LIFE AFTER TRAUMATIC BRAIN INJURY

Commission on Efficiency, Consolidation & Funding

December 3, 2003

Good afternoon. My name is Charles Priest. I am the Executive Director of the Alabama Head Injury Foundation, (AHIF).

AHIF provides aid to over 1,500 Alabamians each year disabled by neuro-trauma with brain or spinal cord injuries, the fastest growing disability group in our state and our country. Neuro-trauma is the number one killer and disabler of youth and presents every state with enormous challenges as reported by the National Conference on State Legislatures.

AHIF works in collaboration with the Alabama Department of Rehabilitation Services (ADRS); a public/private partnership which is viewed across the country as an exemplary model often replicated.

One example of our collaborative efforts is the Alabama Impaired Drivers Trust Fund, (IDTF), established by the legislature in bi-partisan fashion to begin to fill the service gaps of this population.

Among the services supported in part by the Impaired Drivers Trust Fund is the Homebound Program – a program of the Alabama Department of Rehabilitation Services. Through the provision of attendant care and other vital services, the Homebound Program has become the epitome of efficiency through the leveraging of federal dollars and the avoidance of institutionalization which typically costs taxpayers over $45,000 annually. The Homebound Program is also funded in part by the General Fund.

The creation of the IDTF in the 1990's as a dedicated funding stream was well received by the legislature and the Governor as a creative solution to begin to address the needs of these citizens without placing a new burden on the state's General Fund or Education Fund. Rather, the burden of care would be placed on those who cause much of the problem.

Your charge is to investigate and recommend opportunities for greater efficiency and funding.

I respectfully submit that one such opportunity is the expansion of this logical, creative source of funding to include revenue from Reckless Driving fines in addition to D.U.I. fines.

Why Reckless Driving?

In Alabama, over 500 citizens die annually due to aggressive driving, giving our state the dubious distinction of ranking third in the nation. There has also been a 7% increase in "Road Rage" in the past five years. Road rage and aggressive driving escalate from reckless driving.

At the present time, the minimum fine for reckless driving is a mere $25.00! Hardly a disincentive. Raising the fine by $100 will not only send a loud message to potential reckless drivers, it could yield over $400,000 a year, according to the Legislative Fiscal Office. If this money were directed to the IDTF, programs such as the Homebound Program could continue to serve our needy Alabamians perhaps reducing the burden on the state's General Fund.

I stand willing and able to assist the Commission in exploring this efficient funding option, should it so desire.

Thank you for the opportunity to speak to you today.

APPENDIX K

Marriage /Divorce Fee Bill

Synopsis: This bill would amend section 30-6-11 of the Code of Alabama 1975.

A BILL TO BE ENTITLED AN ACT

To amend §30-6-1. §30-6-7, §30-6-11 Code of Alabama 1975.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

§30-6-1.
In this chapter the following words shall have the following meanings unless the context clearly indicates otherwise:
~~(1) ABUSE. Any offense under Section 13A-6-60 to 13A-6-70, inclusive, or under Section s 26-15-1 to 26-15-4, inclusive, occurring among family, household, dating or engagement relationship members as defined in Section 15-10-3~~.
~~(2)~~ (1) ACADV. The Alabama Coalition Against Domestic Violence

~~(3)~~ (2) ADVOCATE. An employee or volunteer of a program for victims of domestic violence receiving funds under this chapter who has a primary function of rendering advice, counseling, or assistance to victims of domestic violence; who supervised the employee or volunteers of the program; or who administers the program.

(3) DOMESTIC VIOLENCE. Any act of abuse as defined in Section 30-5-2 occurring among relationships as defined in Section 15-10-3.

§30-6-6. Centers to receive and house domestic violence victims; Requirements for funding and certification-Location-Procedures-Board-Maximum funding-Budgets.

(e) No individual facility shall receive a total amount in excess of ~~two hundred fifty thousand dollars ($250,000)~~ three hundred fifty-five thousand($355.000) annually.

§ 30-6-7. Funding expenditure of funds.

Each circuit shall receive a proportionate share of the total funding appropriated, as the population of the circuit or circuits jointly bear to the total population of the state, according to the most recent federal decennial census, for implementation of this chapter. Each facility shall receive the funds as determined by the policy adopted by the office. The formula for such funding shall be deemed public record. The office may not expend in excess of ten percent of the funds administered by it to implement this chapter, the office shall retain 60 percent of the funds or one hundred and twelve ($112,000) thousand, which ever is greater, and shall disburse the remainder of the implementation funds received during the previous fiscal year to the ACADV upon satisfactory receipt of the report described in Section 30-6-5 for that year.

§ 30-6-11. Marriage license fee and Divorce fee; disposition of funds from fees.

In addition to any and all other fees collected for any marriage license, the probate judge shall collect thirty dollars ($30) which shall be forwarded to the 7district attorney of the judicial circuit of his or her county.

In addition to any and all other fees collected for filing a petition for a divorce , the circuit court clerk shall collect thirty dollars ($30). Twenty-five ($25) *shall be forwarded monthly to the State Comptroller who shall deposit such funds in the Office of Prosecution Services Fund.*. Five ($5) of this ($30) shall be deposited in the Circuit Clerks Restitution and Recovery Fund. The funds shall be designated only for the purposes of this chapter, and forwarded monthly to the office of distribution on a formula, pursuant to Section 30-6-7 and this chapter. Provided,

however, any unspent and unencumbered funds shall be returned to the respective judicial circuits from which they were granted. The district attorney shall use the funds exclusively for the purposes of establishing, maintaining or funding, or any combination thereof, of domestic violence shelters. The funds shall be used for the establishment or maintenance of a domestic violence shelter within 12 months of the end of the fiscal year during which they were collected. If funds collected pursuant to this chapter have not been expended for the purposes of establishing or maintaining a domestic violence shelter within the time period designated in this section, those funds shall revert to the office for distribution to certified domestic violence facilities according to the formula established by the office pursuant to Section 30-6-7 and this chapter.

FACT SHEET AND TALKING POINTS
HB409

HB409 would revise the existing Domestic Violence Facilities Act by:

1. Correcting outdated and incorrect definitions of "abuse" and substituting correct Code sections and the term "domestic violence" in order to achieve consistency with other state statutes.

2. Imposes a $30 fee on the filing of divorce actions and distributing those fees as follows:

   - $5 to the Circuit Clerks' Restitution and Recovery Fund
   - $2.50 in administrative fees to be divided, according to an existing formula approved by the Legislature, between the Office of Prosecution Services and the Alabama Coalition Against Domestic Violence
   - $22.50 to be distributed to domestic violence shelters according to the same formula used for the distribution of Marriage License Fees

3. Raises the maximum funding level for shelters and for the Office of Prosecution services proportional to the over-all increase in revenue generated under the Act.

Why Is this Bill Needed:

1. Domestic violence shelters in Alabama provided in-shelter services to over 7000 adults and children and out-of-shelter services to many thousands more. These services are literally lifesaving. As the available and use of shelter services have increased, both in Alabama and in the nation, the number of domestic violence homicides has steadily declined.

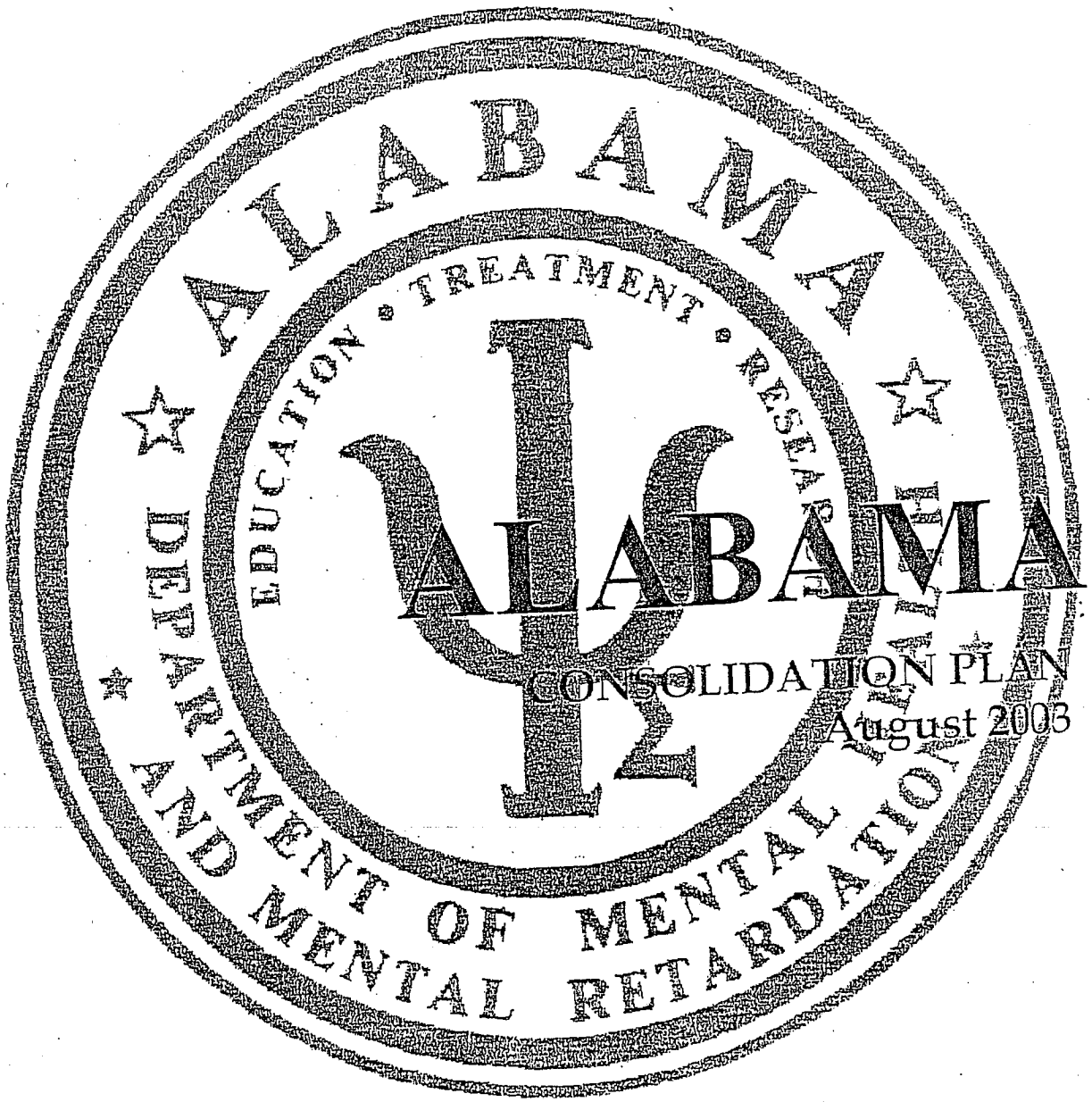
2. Unfortunately, domestic violence shelters have faced repeated reductions in federal funding over the last few years. In FY03, because of increased demand for available funds, domestic violence shelters received a 30% reduction from previous years in Victims of Crime Act (VOCA) funding, the single largest source of funding for shelter services.

3. Because of a Congressionally-mandated change in the funding formula for VOCA, these same shelters will receive an additional reduction of 7.5% in VOCA funds during the FY04 grant period. Overall, shelters in Alabama lost approximately $989,537 in federal VOCA funding during these two grant periods.

4. Based on most recent divorce statistics, the fee on divorce filings will bring in between $540,000 and $565,000 annually in new funding for shelter programs.

For further information contact Carol Gundlach, Alabama Coalition Against Domestic Violence, (334) 832-4842

APPENDIX L



ALABAMA

CONSOLIDATION PLAN

August 2003

Kathy E. Sawyer
Commissioner

Bob Riley
Governor

OFFICE OF THE GOVERNOR

BOB RILEY
GOVERNOR

STATE CAPITOL
MONTGOMERY, ALABAMA 36130

(334) 242-7100
FAX: (334) 242-0937

STATE OF ALABAMA

August 15, 2003

Kathy E. Sawyer
Commissioner, Department of Mental Health
and Mental Retardation
P.O. Box 301410
Montgomery, AL 36130-1410

Dear Commissioner Sawyer:

I have completed my review of your plan for consolidation and closure of mental health facilities, and have reviewed in detail the many comments and recommended alternatives submitted by many across the state. My tours of mental health facilities and community programs also proved most helpful in better understanding the type of programs and individuals to be affected by our decisions. After careful thought, I have decided consolidation and closure of mental health facilities is warranted.

Therefore, I am approving your plan of consolidation and closure with the modifications we discussed and ask that you proceed with its implementation. The additional measure that establishes Regional Crisis and Evaluation Centers will help to address many of the concerns and fears expressed by families and provide a critical safety net of specialized services around the state. In reaching a final decision, I was very deliberate in considering this difficult and complex matter affecting hundreds of Alabamians with very complex needs.

I appreciate the comprehensive approach of your plan and also the time and effort you devoted to every detail, i.e. meetings with families, alternative facility uses, employee assistance, etc. While I know our decision will be difficult for some, I am confident that it is the right decision and right time for these reforms.

Thank you and your staff again for your hard work and dedication to the citizens of this great state.

Sincerely,

Bob Riley

BR/tr/pb

Alabama Department of Mental Health/Mental Retardation

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Executive Summary

The Code of Alabama 1975 requires the Alabama Department of Mental Health and Mental Retardation to serve Alabama citizens in need of mental health and mental retardation services (Title 20, Chapter 50, Code of Ala. 1975). These services are provided through a multi-faceted service delivery system that includes 14 state operated in-patient facilities and over 100 locally contracted and certified community agencies. Over the past 30 years, Alabama's mental health and mental retardation system has been, primarily, directed by judicial oversight as a result of the Wyatt V. Stickney lawsuit. The Wyatt case, as it is more commonly known, was filed in the 1970's and has continued for over 30 years. During this era, standards of client care, treatment, and habilitation were established and implemented in all state operated in-patient facilities in Alabama, which also became the basis for many national accreditation and certification standards in the mental health and mental retardation fields. By the mid 1980's, the focus of the Wyatt case shifted from primarily that of institutional care to that of community-based treatment and care. As a result, for almost two decades now, the Alabama mental health and mental retardation system has been expanding its community-based system and moving thousands of individuals from institutional settings to more community integrated systems for care and treatment.

While this system of care and treatment has evolved into a more person-directed and community-centered model, resources of the system have been transferred and reallocated at a slower pace. In this era of fiscal responsibility and accountability, it has become evident that the service delivery system of the Alabama Department of Mental Health and Mental Retardation must be realigned to be consistent with and responsive to a majority of stakeholder needs and desires, while offering services to as many people as possible.

The 1999 Supreme Court decision, Olmstead v. LC, further reinforced the need to realign resources. The court ruled that it is a violation of the Americans with Disabilities Act to provide people with disabilities services only in institutions. All states have begun to move in the direction of consolidating institutional services as described below.

Around the country trends of downsizing, consolidation and closure of state operated psychiatric hospitals have been noted. According to a 2003 survey of states by the National Association of State Mental Health Program Directors, 44 states closed mental health facilities in the 1990's; two (2) states, Florida and Illinois, closed facilities in 2002; three (3) states, North Carolina, South Carolina, and New York, plan closures in 2003; and two (2) states, Kansas and North Carolina, in addition to Alabama, are considering mergers of state mental health

facilities this year. Twelve (12) other states plan to reduce some 920 beds in their state mental health facilities.

Similar national trends are noted in state-operated mental retardation/developmental disabilities centers. Five (5) states are currently in the process of closing one or more of their state-operated developmental centers according to the National Association of State Developmental Disabilities Directors.

The Consolidation Plan, as described in the following pages, remains true to the department's mission to maintain a comprehensive system of both in-patient and community-based services for those placed under the department's care. The Consolidation Plan also recognizes, and is guided by, the following general principles.

- No individuals will be denied services based on their individual needs as assessed by qualified mental health and mental retardation professionals.
- The level and quality of services received will not be compromised or reduced by this Consolidation Plan.
- Individuals and their families will be given reasonable choices as to the most appropriate settings for the identified plan of care.
- Institutional care will continue to be offered for those who desire and need this level of care.

While there has already been organized opposition to this plan by families and employees affected by consolidation, it must be noted that the plan has received unanimous support and endorsements from all major state organizations associated with Alabama's mental health and mental retardation system. State organizations such as the Arc of Alabama, National Alliance for the Mentally Ill of Alabama, Mental Health Association of Alabama, Alabama Disabilities and Advocacy Program, People First, Alabama Council of Community Mental Health Boards, Alabama Association of Mental Retardation/ Developmental Disabilities Boards, Alabama Family Ties, Alabama Hospital Association, and others have submitted letters and mobilized their memberships in support of consolidation of Alabama's state facilities. Such broad and diverse support is unprecedented and further evidences the need and timeliness for realignment of the State's public mental health and mental retardation system.

The Department of Mental Health and Mental Retardation will remain committed to encouraging all Alabamians to embrace people with mental illness and mental retardation in the educational, social, and economic life of the community. To that end, this plan of consolidation will continue to offer the vision of achievement of personal goals and life experiences of the people the department serves while delivering to all the people of Alabama a mental health

and mental retardation system that is more fiscally and programmatically sound and responsive.

APPENDIX M

Governor's Commission on Efficiency, Consolidation, & Funding

Follow-up Requests (11/20/03)

1. Average cost per acre on timber and agricultural land and hunting leases

Timber Land	8,807.5 acres of which approximately 5,000 acres are harvestable and managed by the Forestry Dept. Over a 30-year life cycle, the department receives a net of approximately $86 per year per acre.
Agricultural Land	2897.1 acres of which 740 acres are leased at an average cost per acre of $32.58.
Hunting Leases	940 acres are leased at an average cost per acre of $6.28.

2. Total land revenue – Land Revenue History spreadsheet is attached.

3. Further explanation of DMH/MR medication costs and group purchasing of medications

DMH/MR's cost of prescription medications decreased 4% from FY2001 ($23,817,793) to FY2003 (22,863,920). This savings occurred in spite of the increased usage of new generation medications which are quite expensive. The amount of savings can be attributed to at least two factors.

- The department joined a group purchasing organization (GPO) in FY02.
- People receiving medications through the Indigent Drug Program were re-enrolled during FY02. Those individuals who did not meet the eligibility criteria were referred to a pharmaceutical patient assistance program.

DMH/MR is now participating in the Minnesota Multi-State Purchasing Group for the purpose of reducing medication costs that the department incurs. This GPO (Group Purchasing Organization) membership represents 43 states. The Alabama Department of Public Health joined the consortium approximately 1 ½ years ago. This fiscal year, FY04, DMH/MR joined the Public Health contract with the Minnesota GPO. It is interesting to note that while this consortium buys large quantities of drugs, DMH/MR will also realize from this contract savings on the purchase of other medical supplies such as syringes, gloves, glucose sticks, etc. Most projections indicate that drug costs this year could increase from 5 – 15%. However, as a result of the department's participation in this contract, it is expected that drug costs for FY04 will remain the same or be slightly less than the FY03 level.

Based on our understanding of this GPO, any state agency that provides medications and/or medical supplies could participate in the state's contract with the Minnesota group purchasing organization.

Alabama Department of Mental Health and Mental Retardation			
Land Revenue History			
	FY01	FY02	FY03
Oil & Gas Royalities[1]	438,830.03	246,237.75	436,994.18
Oil & Gas Settlement[2]	321,135.22		
Land Rent			
University Mall			
Monthly rent ($20,925/month)	215,100.00	251,100.00	251,100.00
Instead of Property tax	18,000.00	18,000.00	18,000.00
20% of mall net income	511,168.30	573,230.00	708,117.00
FAA Land Rent	60,420.00	60,420.00	60,420.00
Other Lease Income[3]	99,932.34	64,935.45	114,447.40
Tuscaloosa Parks & Recreation	150,000.00	150,000.00	150,000.00
Timber Sales[4]	13,455.00	203,041.65	304,810.07
Golf Tournament		22,665.00	15,921.00
Sub total	*1,828,040.89*	*1,589,629.85*	*2,059,809.65*
Land Sales[5]		7,100.00	95,534.56
Total	**1,828,040.89**	**1,596,729.85**	**2,155,344.21**

[1] Checks are sent when the gas is pumped. The Conservation Dept. can audit our leases to ensure that the revenues are maximized.

[2] This was a one-time revenue.

[3] The number & type of leases vary from year to year.

[4] Forestry manages the timber lands, thins, and cuts as appropriate. This revenue is expected to sharply decline next fiscal year.

[5] The increase in FY03 was not from the sale of land parcels. Included in this category are permanent easements and right-of-ways.

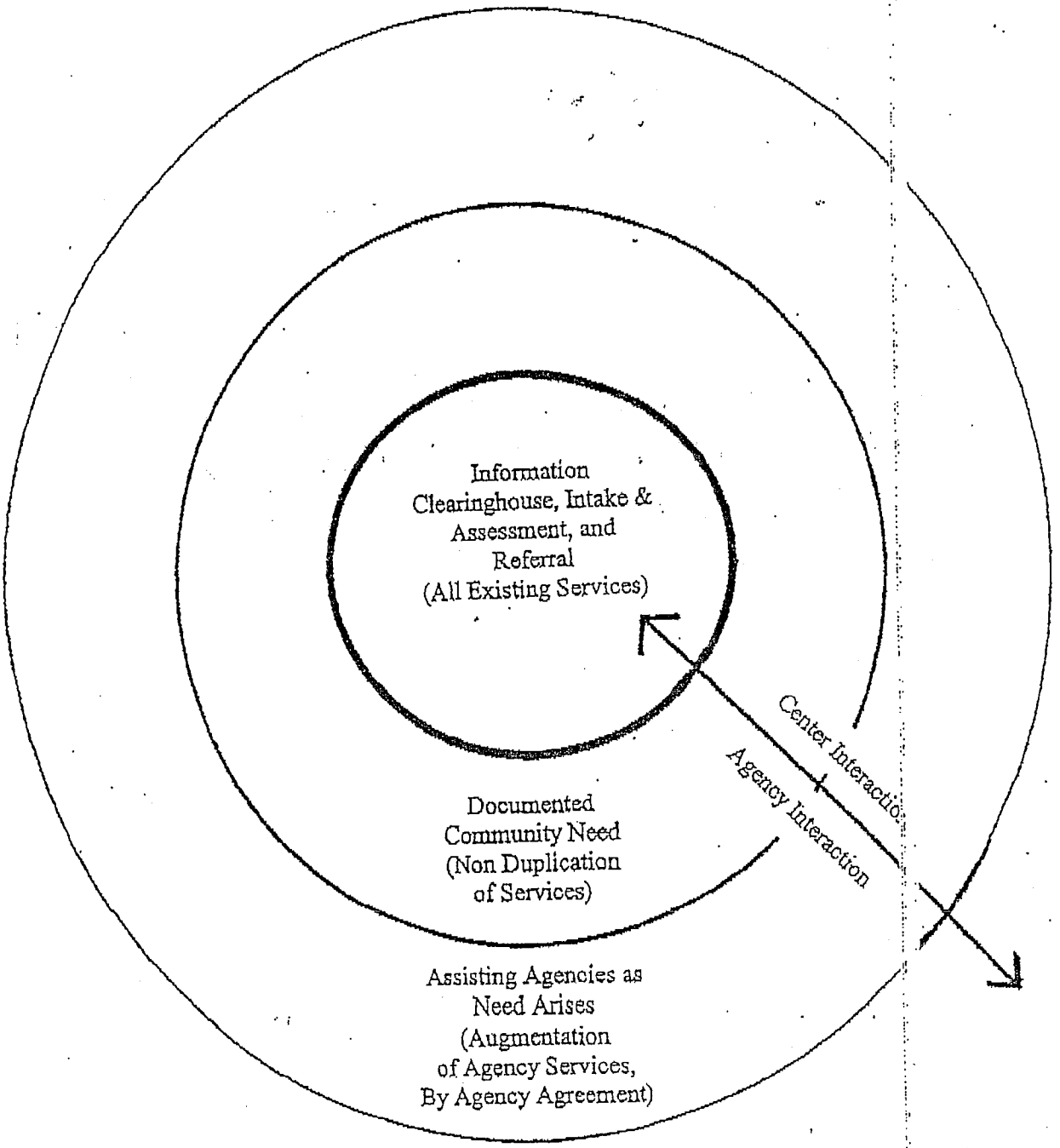
APPENDIX N

In twenty plus counties Family Services/Resource Centers already exist. An effort is now underway to establish an additional twenty plus such centers. Thus approximately two-thirds of the counties in Alabama have a center or are already laying the foundation for one. The basic mission statement of these centers is to support and strengthen families by providing a coordinated network of services to promote self-sufficiency. By acting as a clearinghouse these centers provide information on local resources that are available, and when necessary, provide preventive services that are not provided elsewhere (see attached model concept). With a basic premise of non-duplication of services, these centers could be the organizations that provide preventive services and referral, while leaving crisis intervention services to be provided by state agencies. Based on documented needs within the counties, the centers at the grass roots level can have flexibility to provide preventive services that are relevant to their specific needs as opposed to a one size fits all approach.

I think it would be worthy to examine the possibility of requiring counties/cities to provide core funding for these centers. Soliciting funding from businesses, churches, civic/service organizations and local foundations could lessen financial burden.

These centers would work in a collaborative effort with state agencies to provide a seamless and holistic health and human services system.

Coffee County Family Services Center
(Proposed Concept Model)



APPENDIX O

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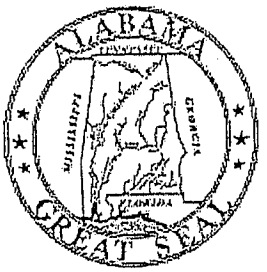
Office of the Governor

BOB RILEY
Governor



STATE OF ALABAMA

Press Office

November 21, 2003

EXECUTIVE ORDER NUMBER 14

WHEREAS, I, Governor Bob Riley, have determined that the citizens of Alabama have an overriding interest in the containment of health care costs and, particularly, in the control of the growth in spending on our Medicaid programs; and

WHEREAS, a variety of factors, including federal regulation, unfunded federal mandates, and the lack of adequate state funds, have resulted in severe concerns about the current status of the financial well being of the Medicaid program and the budgets of the State of Alabama; and

WHEREAS, health care and Medicaid costs and budgets can be adversely impacted by addition of new institutional health services, such as unneeded skilled nursing facility beds, particularly if the necessity therefor has not been reasonably justified; and

WHEREAS, the Certificate of Need Review Board and the State Health Planning and Development Agency ("SHPDA") are responsible for the approval of the addition of skilled nursing facility beds; and

WHEREAS, I find that a moratorium until further notice, on the acceptance and processing of Certificate of Need applications for additional skilled nursing facility beds, including applications to add skilled nursing facility beds under the exception to the Certificate of Need process provided under Ala. Code § 22-21-265(d), would be in the best interest of the people of the State of Alabama in that it would allow the administration and legislature to study and act upon the financial situation of our Medicaid system and the overall health care delivery system.

NOW, THEREFORE, based upon these considerations, and for other good and valid reasons relating thereto, I, Bob Riley, as Governor of the State of Alabama, by virtue of the authority vested in me by the Constitution and laws of the State of Alabama, do hereby impose a moratorium on all applications to add skilled nursing facility beds.

BE IT FURTHER ORDERED that no adjustments by the Statewide Health Coordinating Council, and any of its committees, to the State Health Plan for the purpose of adding more skilled nursing facility beds to the now described need, and on the filing of, acceptance of, consideration of, and acting upon any and all Certificate of Need

applications to add skilled nursing facility beds, either before the Certificate of Need Review Board or an Administrative Law Judge or to add skilled nursing facility beds under an exception to the Certificate of Need process under Ala. Code § 22-21-265(d) shall be made.

BE IT FURTHER ORDERED that no Certificate of Need applications for the addition of skilled nursing facility beds upon which a final decision has been rendered by SHPDA, even where a Certificate of Need has not yet been issued, shall be affected.

BE IT FURTHER ORDERED that this moratorium shall become effective immediately upon the signing hereof, and shall remain in effect until amended or rescinded by the Governor.

DONE AND ORDERED this 21st day of November, 2003.

_____

Bob Riley

Governor

ATTEST:

_____

Nancy Worley

Secretary of State

Governor's Press Office - State Capitol - Suite NB-06 - Montgomery, Alabama 36130 - (334) 242-7150
For more contact information, visit Governor Bob Riley's Web Site: http://www.governor.state.al.us/

Alabama State Agency Directory | Alabama State Employee Directory

APPENDIX P

NGA Information - Privatizing Child Support Collections

The majority of states currently privatize some component of their child support enforcement and a handful of counties have contracted their entire program to a private company. Most commonly, states contract with the private sector for the collection of past-due support-especially those considered hard-to-collect.

Most of the studies on privatizing child support are dated. GAO did a couple of studies in the mid 1990s (pre welfare reform) that pointed to some potential cost savings for states that contracted out collections. They found that the majority of state collection service contracts were for past-due support, with about a third of (1995) contracts focusing on past-due support for AFDC cases. States typically decided to privatize this component because of large caseloads, insufficient staff, and to free up staff time to work on paternity and order establishments.

When deciding on whether to privatize collections, there are a number of issues to consider. Because the majority of old uncollected arrears are owed by non-custodial parents making less than $10,000, efforts to increase collections of those orders may not prove to be cost effective.

According to the Urban Institute, research and collection experience of both public and private debt collection agencies suggest that older debt is less likely to be collected than recent debt. A Maryland study on child support collectibility found that for each year that arrears age, the likelihood of collecting the debt decreases by 24 percent. A recent report on the collectibility of California's child support arrears estimated that only 25 percent of arrears were collectible.

The Administration for Children and Families, Office of Child Support Enforcement has issues A Guide to Developing Public-Private Partnerships in Child Support Enforcement that provides information on child support privatization decisions and discusses several key concepts in privatization. It can be found on their web site at http://www.acf.dhhs.gov/programs/cse/rpt/pvt/contents.htm <http://www.acf.dhhs.gov/programs/cse/rpt/pvt/contents.htm>. Again, the document is somewhat dated (1997), but does provide some useful information and history of state experiences.

It might be useful to talk to some state child support directors about their experience. Some good contacts within the child support enforcement field are:

Robert Riddle, Georgia child support director,
reriddle@dhr.state.ga.us,
(404) 657-0634
Nick Young, Virginia child support director,
nly900@dcse.dss.state.va.us, 804-692-1501

Lisa Woodruf-White, Louisiana child support director,
lwoodruf@dss.state.la.us, 225-342-1312
Pauline Burton, Colorado child support director,
pauline.burton@state.co.us, 720-947-5000
Alisha Griffin, New Jersey child support director, agriffin@dhs.nj.us,
609-584-5093

COMMERCE SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

REPORT AND RECOMMENDATIONS

December 12, 2003

MEMBERS OF THE COMMERCE SUBCOMMITTEE

Bill Canary (Chairman), Business Council of Alabama, Montgomery

Steve Cawthon, Steele & Associates, Huntsville

Michael Colson, Blow Out Tire Company, Inc., Clanton

Carol Gordy, Natural Decorations, Inc., Brewton

Kay Ivey, Alabama State Treasurer, Montgomery

Todd Strange, Blount-Strange Holdings, L.L.C., Montgomery

Mike Thompson, Thompson Tractor, Birmingham

Edgar Welden, Birmingham Businessman, Birmingham

REPORT AND RECOMMENDATIONS

COMMERCE SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

INTRODUCTION AND BACKGROUND

On October 23, 2003, Gov. Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation and Funding, a panel designed to find ways for General Fund and other non-education agencies to cope with the on-going fiscal crisis in state government. The group held its first meeting on Friday, October 24 at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the comprehensive study, the commission members were divided into five separate subcommittees tasked with examining the areas of Government Operations and Accountability, Environment and Natural Resources, Public Safety, Health and Human Services, and Commerce.

The Commerce subcommittee consisted of the following members: William Canary (chair); Steve Cawthon; Todd Strange; Kay Ivey; Carol Gordy; Mike Colson, Mike Thompson, Edgar Welden, and Mike Colson. Bret Becton, of the Center for Government at Auburn University Montgomery and Don Fisher, of the Alabama Department of Industrial Relations provided technical support to the sub-committee and David Dawson acted as the recording secretary.

The state agencies that fall under the Commerce sub-committee include: Alabama Development Office (ADO); Department of Economic and Community Affairs (ADECA); Alabama Port Authority (APA); Department of Transportation (ALDOT); Bureau of Tourism and Travel; (BTT) Department of Labor (DOL); Department of Industrial

Relations (DIR); Department of Banking (DOB); Department of Insurance (DOI); and Credit Union Administration (ACUA).

The subcommittee established criteria in which to evaluate each of the areas under their consideration. These six points of criteria are: 1) Identification of redundant or ineffective services; 2) Streamlining of State services; 3) Identification of better use of technology 4) Identification of better management tools; 5) Identification of better utilization of existing revenue sources; and 6) Identification of laws (if any) that could be changed to bring greater efficiency to management of state agencies or departments.

SUMMARY OF MEETINGS AND METHODOLOGY

The Commerce sub-committee held its first meeting immediately following the Commission's meeting on October 24, 2003. The Sub-committee continued to meet throughout the months of November and December, meeting on November 5th, November 14th, November 21st, December 5th, and December 12th. The minutes from this meeting are presented in Appendix A. During the meetings, the sub-committee heard testimony from the head of each agency that fell under their consideration as well as representatives from the Council on State Government, the National Governor's Association, the Economic Development Partnership of Alabama, and the Alabama County Commissions Association. Written testimony from the Alabama League of Municipalities was also received.

Additionally, the head of each agency completed a survey which solicited recommendations concerning consolidating services and departments, cutting costs, and eliminating non-essential programs. Finally, input from the public and state employees were solicited through a number of means. Citizens or employees were encouraged to

attend sub-committee meetings, provide suggestions through e-mail, written letter, or by telephone in order to ensure that their concerns were heard. The testimony, the results of the surveys, and the suggestions from the public and state employees were carefully considered by subcommittee members in developing the recommendations contained herein.

RECOMMENDATIONS

Since beginning in October, the Commerce subcommittee reviewed and analyzed a tremendous amount of information. The recommendations submitted by each agency head, employees, and citizens were reviewed and discussed by the commissioners. Numerous interesting ideas for cutting costs, streamlining processes, and increasing revenue into the General Fund were provided. While all of the input received was valuable and appreciated, the recommendations contained in Appendix B were considered to be of the utmost importance and have the full support of the Commerce subcommittee. Suggestions received from the agency heads are contained in Appendix F and should be investigated more closely by governmental staff to determine appropriateness of the suggestions and the validity of the reported cost savings.

Recommendations From The Commerce Subcommittee

October - December 2003

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings/Streamlining			
1. Based on the information provided, the state has in excess of 8,000 vehicles plus a large number in the education sector, possibly as many as 7,000 for a total of 15,000. Presently, there is no central point for the State to account for and manage this large fleet. The Subcommittee recommends that the entire fleet (i.e., all public vehicles) should be evaluated (e.g., usage and vehicle requirements), consolidated, and managed by a private entity and leased to the State. The privatization of services provided by the State should be pursued in an expeditious manner to achieve significant cost savings in state motor fleet operations through either a sales-lease back arrangement or a maintenance lease with a private vendor. Alternatively, fleet management could be centralized for all State vehicles under a separate organization and managed much like ALDOT manages its fleet by establishing a revolving account to fund purchases with specific mileage criteria. This organization could be established at ALDOT or elsewhere but within the Governor's direct reports.	$30,000,000		
2. The responsibility for workforce development is too important to be shared by several different organizations and should be under the direct purview of the Governor. According to testimony by the National Governor's Association, no state governor has abdicated workforce development to an agency not under his/her direct control. Workforce development strategies should be aligned with economic development activities. Alabama is one of only seven states that does not combine the core workforce development activities, including WIA and employment services, into a single state agency. Accordingly, all workforce development responsibilities presently housed at ADECA, DIR, AIDT, and other agencies should be consolidated under a single workforce development organization under the Governor's purview which can deliver services and achieve greater efficiency while preparing the workforce with skills needed in industry. AIDT should continue its primary role of training and preparing workers for specific companies who locate or expand in this State.	?		
3. The subcommittee recommends the establishment within the Finance Department an Office for Management, Budget, and Finance. The subcommittee recommends that the Governor should vest this agency with the authority and the essential staff to conduct "internal efficiency audits" and report findings to the public on the Governor's website, to department heads, and to media in a timely fashion. The subcommittee also recommends that the Alabama Quality Award, similar to the Malcolm Baldridge Award criteria for excellence in performance be established as the standard for efficiency.	?		

Recommendations From The Commerce Subcommittee

	Cost Reduction/Savings Amount	Net Savings	Running Total
4. While the specific responsibility for industry recruitment lies with ADO, other State agencies have overlapping responsibilities for industry recruiting and the expansion of existing industry. In addition, there are occasions of conflicting messages coming from our State to attract manufacturing, film, and tourism opportunities. Due to the overlaps that occur between agencies in the development of commerce, the subcommittee recommends the creation of a Department of Commerce to include the efforts of ADO, film, tourism, existing industry expansion including base realignment and closing (BRAC), minority business affairs and industrial recruitment. Accordingly, the new structure should allow for longevity of the Director, competitive pay for recruitment staff (i.e., outside of the state merit system), and a stable revenue stream secured to fund the total effort. A foundation should be established to afford private sources the opportunity to participate in this effort. Private recruiting organizations should coordinate with this new entity as well as contract with it for direct services (i.e. research, marketing, etc.).	?		
5. The subcommittee recommends that a permanent oversight committee be established to assist in enacting the recommendations as well as identifying other areas for efficiency and consolidation. It should be incumbent upon each department to show every year the progress made in efficiencies of funds and it's usefulness to the public. It is also recommends that the oversight committee submit an annual Alabama Accountability Report to document the status of the State's operations. The Governor's Budget Oversight Commission (Executive Order 9) should be made permanent and have statutory authority. (Executive Order 9 is shown in its entirety in the appendix.)	?		
6. While no tax system is popular with taxpayers, most firms and individuals can better accept their tax burdens and are more likely to do so if they perceive that the tax system is equitable (i.e., that everyone is paying their "fair share."). Whether in the form of fuel tax, corporate income tax, etc., we must find innovative ways to assure taxes owed to the cities, counties, and state are paid. The subcommittee recommends creating an aggressive program and focus to collect tax evaded dollars. The failure to pay taxes and fees imposed by law (i.e., tax evasion) violates the public's sense of fairness, undermines the credibility of government, and shifts the burden of supporting public services to all other taxpayers. As an example, ALDOT reports that Mississippi recently increased its fuel tax revenue by $40 million through increased collection efforts. Governments at all levels have a strong interest in improving efficiency and effectiveness of the tax system.	?		

Recommendations From The Commerce Subcommittee

	Cost Reduction/Savings Amount	Net Savings	Running Total
7. The subcommittee recommends that the Governor issue an executive order forming a task force to consider the various information technology tasks managed by the Information Services Division of the Department of Finance which would include budget, management and administration, and by the Alabama Supercomputer Authority. The task force would recommend changes necessary to reduce costs, increase efficiencies, and provide the highest-quality IT service to the agencies and schools served by these two organizations. The subcommittee suspects that the IT functions of the State would be better managed if these functions were consolidated under one agency. The subcommittee recommends the consolidation of the data centers at the Information Services Division of the Finance Department, the Department of Transportation, and the Department of Industrial Relations into one department, which would reduce costs by $10,000,000 over a five year period. These reductions would result from the consolidation of the computer mainframes, the associated equipment, the operating system software, the communication system software, the non-mainframe support software, as well as some computer operators. In addition, the consolidation of several hundred file servers spread over the state capitol complex onto one mainframe would eliminate purchase costs or rental fees and the manpower to maintain and service them. Also, an additional benefit would be derived from the reduction of the maintenance and service charges on the mainframe and equipment in three data centers. The subcommittee is also concerned that the State of Alabama is not utilizing available technology to its fullest. Alabama must adopt the available technology with a comprehensive IT program, utilizing current technology as explained in the Uniform Electronic Transactions Act, Title 8, Chapter 1.a. The monies saved by the efficiency gains from a fully integrated and consistently maintained information system, would pay for its own funding.	$10,000,00		
8. The subcommittee recommends that the Governor appoint a Commission on Privatization to accurately document potential cost savings. Two examples of areas for potential savings resulting from privatization include fleet management (previously addressed) and logo signing (see appendix).	?		

Recommendations From The Commerce Subcommittee

	Cost Reduction/Savings Amount	Net Savings	Running Total
9. The subcommittee recommends that Alabama should be forward thinking in recruiting and selecting quality individuals for each critical department (i.e., commerce development and finance) and should create mechanisms through which to provide incentives according to prevailing private sector compensation. The subcommittee also recommends that the Department of Finance develop, with full legislative participation, a performance-based management process for agencies of Alabama state government. This process should be built on agency strategic plans and incorporate regular performance reviews that reinforce the significance of achieving results with taxpayer dollars. The subcommittee also recommends the development of procedures that will provide incentives to agencies and their employees to be efficient, effective, and frugal. For example, a sliding scale of performance bonuses should be available to deserving state employees who either develop or implement cost-savings ideas in state government.	?		
10. The subcommittee recommends that the existing "budget development process" be changed to ensure that the State of Alabama never have proration again. There are several means by which to do this. For example, • For the General Fund, appropriate a portion of revenue and designate this for a proration prevention fund with specifics that limit under which conditions these funds can be used. • Base budgets for the next year on last year's income. Municipalities budget this way.	?		
11. The subcommittee recommends the adoption of a goal to reduce earmarked funds to a level similar to the national or regional average. The method and source of earmarking existing funds should be evaluated to insure the most effective and efficient use of state funds. This will allow the State of Alabama to establish current priorities, not necessarily the same ones as established when the respective earmarking was adopted.	?		
12. The subcommittee recommends a thorough analysis of the method for in-state travel reimbursement and per diem.	?		
13. The subcommittee recommends changing the present procedures that encourage "use it or lose it" spending in the last few weeks of the fiscal year.	?		
14. The subcommittee recommends changing the names of the Department of Industrial Relations and the Department of Labor by executive order and legislation as needed to provide for clarification of specific tasks.	?		
Total	$		

Property Savings

Recommendations From The Commerce Subcommittee

	Cost Reduction/Savings Amount	Net Savings	Running Total
Total	$		

Property Revenue

1. The subcommittee recommends that Title 9, Chapter 15 of the Code of Alabama be rewritten to consolidate and strengthen the laws governing the management of public lands owned by the State of Alabama and its departments and institutions, to increase the focus on managing those lands in the best interests of the people of Alabama.	?		
Total	$		

Fee and Tax Increases

n/a

Total:	$		
Grand Total:			$

Recommendations From State Agencies to the Subcommittee Regarding Costs Savings and Revenue Producing Options to be Considered

October - December 2003

Alabama Credit Union Association

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Increases in our agency's revenue would not result in any savings to the state general fund since we are a self-funded agency. We are anxious to help with the state's financial problems. We now spend none of the state's revenues. We have some conceptual ideas about a system that would permit us to pay the state for services they render to us and/or increase our cost(s) by performing services for the state and thus decrease their expenditures.	?		
2. When we appeared before the committee, we mentioned to them that we had explored some concepts that may save the state some money. We asked for an opportunity to discuss them with someone in the Governor's office to be sure that our recommendations are consistent with the Governor's wishes.	?		
Total	$		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
n/a			
Total:	$		
Grand Total:			$

Recommendations From State Agencies to the Subcommittee Regarding Costs Savings and Revenue Producing Options to be Considered

October - December 2003

Alabama Department of Economic and Community Affairs

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Eliminate the following programs: Workforce Division - Job Training, Education, and One Stops.	$1,000,000		
2. Eliminate earmarking only for the following programs: Office of Water Resources - Quality of Water, ACT/ACF Issues, and Flood Management.	$1,000,000		
3. Eliminate the following programs: Community Development Block Grants - Economic Development, enhancement, planning, and quality of life.	$1,218,750		
4. Eliminate earmarking only for the following programs: Community Services - Community Action Agencies, Emergency Shelters, Nutrition, and Weatherization.	$840,000		
5. By detailed planning it may be possible to reduce the number of employees traveling to conferences, seminars, etc. and providing more in-house training within divisions.	$169,000		
Total	$4,227,750		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
n/a			
Total:	$		
Grand Total:			*$4,227,750*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

October - December 2003

Alabama Department of Industrial Relations

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Eliminate the Mine Safety Program.	$250,000		
2. Consolidate the WIA programs for improved efficiency and clarity. A number of options have been considered but the greatest financial savings would be realized if the ADECA WIA program was consolidated into the Employment Service Division of DIR. It would be difficult to move ES from DIR because of the federal law connecting the Employment Service to Unemployment Compensation.	?		
Total	**$250,000**		
Property Savings			
1. Close the Roanoke Employment Office.			
2. Close the North Mobile Employment Office.			
3. Close the Sylacauga Employment Office.			
4. Close the Midfield Employment Office.			
5. Close the Decatur Call Center (approximately late FY 2004).			
Total	**$448,627**		**$**
Property Revenue			
n/a			
Total	**$**		**$**
Fee and Tax Increases			
1. Increase the permit fees required for a surface mining permit to $500 annually, and impose an additional 5 cents per ton of minerals mined to go into the Surface Mining Reclamation Fund already established by law. Authorize funds to be expended to administer the programs and begin a systematic scheduling for reclaiming abandoned mines, reducing and eventually eliminating the State's liability for reclaiming abandoned mines for which bonds have been forfeited. Style the legislation to allow the fees to be amended by the Administrative process with public notice and participation. Similar legislation was introduced in both the 2002 and 2003 Regular Legislative Session. As stated above, an additional $200,000 would be generated as permit fees, and $4,000,000 as tonnage fees.	$600,000		
Total:	**$600,000**		
Grand Total:			**$1,298,627**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

October - December 2003

Alabama Department of Insurance

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Reduce travel expenses through reimbursement of actual charges rather than through a per diem as most of the travel for the Department is in-state.	?		
Total	$		
Property Savings			
n/a			
Total	$		$
Property Revenue			
n/a			
Total	$		$
Fee and Tax Increases			
1. Increase fees for licenses. Change renewal of licenses from annual to biennial - reducing paper work and man hours to handle paperwork. A bill that was introduced in the 2003 regular session would have brought a minimum of $1.1 million to the General Fund and $2.1 million to the Department.	?		
2. Require licensing fees to be implemented through an electronic format would reduce paper and ultimately reduce personnel costs. The Department is attempting to implement a document imaging program that will reduce cost for paper and potentially personnel costs.	?		
Total:	$		
Grand Total:			$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

October - December 2003

Alabama Department of Labor

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Institute two new fee-based programs dealing with boiler and elevator inspections in order to self-sustain the Labor Department, therefore no longer needing General Fund appropriations after 2004.	$336,557		
2. Assume the mine safety inspections currently done by Industrial Relations and the displaced worker's program currently done by ADECA.	?		
3. The Legislature has already passed two new programs that will generate between $1.2 -$1.7 million annually for the State Labor Department, safety inspection programs for boilers and pressure vessels, and for elevators.	$1,450,000		
4. Require boiler and elevator inspectors to work out of their homes on a district basis eliminating the need for office space.	?		
5. Eliminate three positions in the central office, that of the Assistant Commissioner, Accountant and Administrative Support Assistant.	$118,154		
Total	**$1,904,711.00**		
Property Savings			
n/a			
Total	$		$
Property Revenue			
n/a			
Total	$		$
Fee and Tax Increases			
1. Increase union filing fees from the current $2 per filing fee to at least $25. We are required by law to keep annual reports on over 300 unions with 25 or more members. This would raise the revenue from this source from $600 a year to $7,500.	$7,500		
2. Increase the administrative fines under the child labor statute to bring Alabama into line with other states and raise additional revenue for the program.	?		
Total:	**$7,500.00**		
Grand Total:			***$1,912,211.00***

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Department of Transportation

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Consider reducing extra aid to counties for their roads and bridges	$ 17,500,000		
2. Allow ALDOT to purchase supplies, materials, and equipment	$ 300,000		
3. Allow ALDOT Finance department to operate independently of the State Finance Department.	$150,000		
4. Consolidate Air Transportation facilities for the State. Air Transportation could be under Aeronautics.	?		
5. Establish a Capital Improvement Program to expand ALDOT Central Office space and eliminate Montgomery area rental properties.	$ 200,000.		
6. Eliminate non-essential conferences	$ 200,000		
7. Restructure ALDOT participation in County Engineer /Trainees Salaries.	$ 1,000,000		
8. Allow ALDOT prepared projects operate under similar rules as consultant engineering firms.			
9. Combine duties relating to public affairs and internal affairs into one staff			
10. Move County Transportation Bureau under the Assistant Chief Engineer in Pre-Construction.			
11. Establish a State transportation commission appointed from each district by the Governor to establish a point system/formula for awarding road construction projects.			
12. Expedite consultant engineering contracts without the delays associated with the Legislative Contract Review Committee.			
Total	**$19,350,000**		
Property Savings			
n/a	$		
Total			$19,350,000
Property Revenue			
n/a			
Total	$		$19,350,000
Fee and Tax Increases			
1. Eliminate the diversion of transportation funds through the repeal of Act 91-797 and through the elimination of the gross receipts tax.	$4,000,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
2. Improve efforts of the Department of Revenue's fuel tax evasion program. Accordingly, an aggressive fuel tax collection program should be established in the Department of Revenue or directly in DOT to reduce the fuel tax evasion presently occurring in our state. As an example, ALDOT reports that Mississippi recently increased its fuel tax revenue by $40 million through increased collection efforts. In addition gasoline taxes should be collected "at the rack" in order to reduce the cost of collection.	?		
3. The state's third largest tax – the gasoline tax—generates approximately $400 million annually for highway projects; the interest reverts to the General Fund. Instead of spending all of the interest, the legislature could allow proceeds from the gas tax to accumulate into a trust fund up to a capped amount ($200 million for example) at which time the interest would then divert to the General Fund and the principle would remain with ALDOT. The revenues from this trust could be earmarked for prisons, court system and DPS which are in dire need of more earmarked funding.	?		
Total:	**$44,000,000**		
Grand Total:			***$63,355,000***

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

October - December 2003

Alabama Development Office

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. A source of limited income would be financial participation by communities in trade shows, business missions, and other national/international marketing events.	$169,000		
2. Solicit private/corporate funding support for the agency as allowed under current state law.	$300,000		
3. All outside sources of income to ADO should not revert to the general fund at fiscal year-end.	$1,000,000		
4. Abolish ADO in its current form and create a public/private corporation outside the merit system. The public funding portion could come in perpetuity from certain state funding sources to be determined. The private portion would come from the current Economic Development Partnership of Alabama funding partners OR the public/private corporation could be funded from certain state funding sources and privately raised funds and in-kind services/products.	?		
5. Reduce ADO's dependence on the general fund by re-allocating a portion of the State Industrial Development Authority funding to ADO for administrative costs. Administrative services consist of: legal review, maintenance of State Ceiling Allocation website and a project notification system.	$250,000		
6. Provide a one-time bond issue from the Alabama Capital Improvement Trust Fund (under the provision for "funding economic development and industrial recruitment activities") to form the corpus for permanent funding of the Alabama Development Office outside the general fund.	$3,600,000		
7. Establish legislation to consolidate certain existing state agencies that have a common job-creation thread.			
8. Swiftly close/settle the Crum v State of Alabama lawsuit in regard to Eugene Crum, pending before the State Personnel Board.	$6,000,000		
9. Allow ADO the flexibility to choose actual travel expenses versus per diem.	$20,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
10. Establish a new model of governance for economic development initiatives in the state (e.g., ADO, ADECA, Tourism). The Director of ADO should have high visibility and close contact with the Governor in order to recruit and sustain industry. ADO needs a governing board to specify tasks, provide longevity and continuity of the Director of ADO, provide industry-competitive salary/benefits for staff and administrators, and provide mechanism to allow for the generation of funds to General Funds. The subcommittee also recommends that an employee salary system similar to that of ACHE (Alabama Commission on Higher Education) be established so that salary schedules are based on profession vs. regular merit system pay scale.			
Total	**$11,339,000**		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
1. Consider levying fees on certain forms of entertainment (i.e. video rentals, movie attendance and/or concerts). The fees would be designated to fund the film/entertainment and industrial development efforts of ADO.	$1,000,000		
Total:	**$ 1,000,000**		
Grand Total:			***$12,339,000***

ENVIRONMENT AND NATURAL RESOURCES
SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S
COMMISSION ON EFFICIENCY, CONSOLIDATION,
AND FUNDING

REPORT AND RECOMMENDATIONS

DECEMBER 12, 2003

MEMBERS OF THE ENVIRONMENT AND NATURAL RESOURCES SUBCOMMITTEE

Mike Goodrich (Chairman), BE&K

Clyde Smith (Chairman), BE&K

Steve Guy, ALFA

Robert "Bubba" Lee, Vulcan, Inc.

John McMillan, Alabama Forestry Association

Janet Seaman, Seaman Timber

Young Stevenson, Former Counsel, Alabama Department of Industrial Relations

Bert Wilson, Keystone Masonry

REPORT AND RECOMMENDATIONS

ENVIRONMENT AND NATURAL RESOURCES SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

INTRODUCTION AND BACKGROUND

On October 23, 2003, Gov. Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation and Funding, a panel designed to find ways for General Fund and other non-education agencies to cope with the ongoing fiscal crisis in state government. The group held its first meeting on Friday, October 24, 2003, at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the comprehensive study, the commission members were divided into five separate sub-committees tasked with examining the areas of Government Operations and Accountability, Environment and Natural Resources, Public Safety, Commerce, and Health and Human Services.

The Environment and Natural Resources sub-committee consisted of the following members: **Mike Goodrich** (Chairman), BE&K; **Clyde Smith** (Chairman), BE&K; **Steve Guy**, ALFA; **Robert "Bubba" Lee**, Vulcan, Inc. ; **John McMillan**, Alabama Forestry Association; **Janet Seaman**, Seaman Timber; **Young Stevenson**, Former Counsel, Alabama Department of Industrial Relations; and **Bert Wilson**, Keystone Masonry. Leslie Meadows, of the Center for Government at Auburn University Montgomery and Ryan Cole, of the Office of the Governor of the State of Alabama provided technical support to the sub-committee.

The state agencies that fall under the Environment and Natural Resources sub-committee include: Alabama Department of Environmental Management (ADEM); Alabama Department

of Conservation and Natural Resources (DCNR); Alabama Forestry Commission; Alabama Department of Agriculture and Industries; Alabama Surface Mining Commission; Geological Survey of Alabama; State Oil and Gas Board of Alabama; and the Alabama Liquefied Petroleum Gas Board.

The subcommittee established criteria upon which to evaluate each of the areas under their consideration. These six points of criteria are: 1) Identification of duplicative, ineffective, or nonessential services; 2) Streamlining of services; 3) Identification of better use of technology; 4) Identification of methods to reduce dependency on the General Fund; 5) Identification of methods to better utilize existing revenue sources; and 6) Identification of laws that could be changed to bring greater efficiency to the management of state agencies or departments.

SUMMARY OF MEETINGS AND METHODOLOGY

The Environment and Natural Resources sub-committee held its first meeting immediately following the Commission's meeting on October 24, 2003. The Sub-committee continued to meet throughout the months of November and December, meeting on November 5th, November 14th, December 1st, and December 8th. During meetings, the sub-committee heard testimony from the leader of each agency that fell under their consideration.

Additionally, the leader of each agency completed a survey which solicited recommendations concerning consolidating services and departments, cutting costs, and eliminating non-essential programs. Finally, input from the public and state employees was solicited through a number of means. Citizens or employees were encouraged to attend subcommittee meetings, provide suggestions through e-mail, written letters, or by telephone in order to ensure that their concerns were heard. The testimony, the results of the surveys, and the suggestions from the public and

state employees were carefully considered by sub-committee members in developing the recommendations contained herein.

ECONOMIC IMPACT OF ENR SUB-COMMITTEE RECOMMENDATIONS

Agency	Cost Savings	Fee and Revenue Enhancements	Property Revenue	Total	General Fund Appropriation FY 03-04
General Recommendations	$5,900,000	*	*	$5,900,000	N/A
Department of Environmental Management	$340,000	$8,350,000	*	$8,690,000	$4,540,505
Alabama Department of Conservation and Natural Resources	$4,090,000	$21,600,000	$3,500,000	$29,190,000	$0
Alabama Forestry Commission	$1,951,000	$9,885,000	*	$11,836,000	$10,048,065
Alabama Department of Agriculture and Industries	$611,000	*	*	$611,000	$10,134,303
Surface Mining Commission	$474,000	$802,000	*	$1,276,000	$469,582
Geological Survey of Alabama	*	*	*	*	$1,886,148
Liquefied Petroleum Gas Board	*	$350,000	*	$350,000	$0
Oil and Gas Board of Alabama	*	$350,000	*	$350,000	$1,812,127
Grand Totals	$13,366,000	$41,337,000	$3,500,000	$58,203,000	$28,890,730
Rejected Recommendations	$6,264,000	*	*	$6,264,000	N/A

*Potential cost savings requires further study.

ORDER OF RECOMMENDATIONS

General Recommendations

Alabama Department of Environmental Management (ADEM)

Alabama Department of Conservation and Natural Resources (DCNR)

Alabama Forestry Commission

Alabama Department of Agriculture and Industries

Alabama Surface Mining Commission

Geological Survey of Alabama

State Oil and Gas Board of Alabama

Alabama Liquefied Petroleum Gas Board

Rejected Recommendation

Recommendations Rejected by the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Rejected Recommendations

These recommendations represent Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount
Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $6,264,000.	
Cost Savings – Alabama Department of Environmental Management	
1. Eliminate funding to the wastewater SRF program. This would not affect ADEM's operating but the ability of local jurisdictions to address infrastructure needs to protect the environment via low interest loans. There would be no loss of federal funds as long as the "state match" is provided through a bond issue as is currently done with the Drinking Water State Revolving Fund.	$568,000**
2. Cease toxic release inventory functions. Local jurisdictions would have to maintain this information and there would be no statewide approach. The funding to support this may be available through the Homeland Security effort. There would be no loss of federal funds, however, this will adversely affect services.	$60,000**
3. Eliminate the remainder of the hazardous substance cleanup fund. This would reduce the ability to provide a match on any superfund site in the state where there is not a responsible party. Responsiveness to local communities who discover unidentified drums or other materials will be reduced. There would be no loss of federal funds, however, this will adversely affect services.	$28,000**
4. Remove the remaining General Fund support to the Solid Waste Program. Permit fees may have to be adjusted to support very limited permitting, inspection, and compliance activities. There would be no loss of federal funds, however, this will adversely affect services.	$484,000**

Recommendations Rejected by the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
5. Utilize the $830,000 deposited annually in the Alabama Environmental Education Trust Fund from the sale of environmental tags to fund departmental education activities in lieu of funding LEGACY. For the last eight years the Legislature has earmarked these funds for LEGACY, a non-profit organization that provides environmental education materials, curricula, and other forms of support to Alabama teachers and students. Unearmarking these funds would provide support to the Department's educational activities and save the General Fund $830,000, but would eliminate those environmental education activities performed by LEGACY. If the General Fund is reduced by $830,000 and unearmarking does not occur, then additional cuts in the Water Program would be required. There would be no loss of federal funds, however, this will adversely affect services.	$830,000*
6. Consider reducing the Surface Water Program. The ability to realize any reduction would have to be agreed upon by EPA with respect to matching requirements and the maintenance of program authorization. Accordingly, it is not possible to quantify any potential loss at this time. If the loss of authorization occurred, $2.9 million in federal funds would be at risk. This will adversely affect services.	$571,000**
7. Change State Authorization - Alabama is an "authorized" state, which means that it is authorized to administer state environmental law in lieu of the EPA administering federal environmental law in the state. This is consistent with the state law creating ADEM, which expresses legislative intent to have federal environmental statutes administered at the state level. It may be appropriate to review this objective in light of the current and projected fiscal capacity of the state. If the projected 50% cuts in General Fund support for FY 05 become a reality, ADEM will be supported from the General Fund at a level that is 35% of what it received in FY 91. It may be time to consider giving one or more programs back to EPA.	**
Total:	$2,541,000

Cost Savings – Alabama Forestry Commission	

Recommendations Rejected by the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
1. Cut Alabama Forestry Commission programs/positions in the State office: Receptionist (1) Audio Visual; (2) Information and Education; and (3) Warehouse and Administrative Clerk.	$405,000
2. Consolidate all dispatch services to Montgomery.	$514,000
3. Cut field office positions.	$166,000
4. Close the central equipment repair shop.	$151,000
5. Change from full-time to part-time aircraft pilots.	$235,000
6. Terminate four regional management specialists.	$280,000
7. Consolidate the County Operations (i.e., 25 foresters @ 48,000)	$1,200,000
8. Terminate 19 firefighters @ $38,000.	722,000
Total:	$3,673,000

Cost Savings – Alabama Department of Conservation & Natural Resources	*
1. Continue to partner the State Parks System with local communities and businesses in promoting the events. The Bass Trail events in Alabama produce a 16 to 1 return on investment with total economic impact of 2.5 times for every dollar spent.	*
2. Continue the Partnership with the Bureau of Tourism and Film Commission and the Alabama Development Office to launch a statewide economic growth initiative promoting Alabama's natural resource assets for hunting, fishing and watch able wildlife programs.	*
3. Exempt State Agencies from paying State motor fuel tax. Estimated savings $0.16 on gasoline alone. (Other general fund agencies should review for further study.)	*
Total:	$*

Cost Saving – Surface Mining Commission	
1. Minimize equipment purchase- do not replace or update current computer equipment and delay plans for the electronic archiving of documents.	$50,000
Total:	$50,000

Recommendations Rejected by the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
Grand Total	$6,264,000

**These recommendations significantly reduce the viability of this agency and the State of Alabama remaining an "authorized" state in lieu of EPA administering Federal authorized statutes. Therefore, these recommendations are not endorsed by the Environment and Natural Resources Sub-Committee.

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Alabama Department of Agriculture and Industries

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $.

Cost Savings

	Cost Reduction/Savings Amount
1. Implement a four-day workweek for inspectors.	*
2. Cross-train all inspectors to ensure they are adept at performing other duties.	*
3. Computerize and consolidate permit applications and reports.	$121,000
4. Eliminate the security personnel at the Farmer's Markets.	$70,000
5. Centralize and consolidate laboratory services to one location, preferably a University to which a reciprocal benefit could be arranged, as is the case with the current laboratory arrangement at Auburn University.	*
6. Require that the Department of Agriculture undergo an in-depth organization and management analysis due to a lack of information provided by this agency in order to determine if the agency is streamlined and utilizing all technological advances currently available.	*
7. Outsource inspection services to a private entity.	*
8. Shift the responsibility for the inspection of gasoline pumps to Department of Transportation, or an appropriate department.	*
9. Review the benefits of federal oversight on various programs and/or services.	*
10. Ensure the coordination between this Department, which has performed Homeland Security functions since the Department's inception, and the newly created Department of Homeland security in order to preserve efficiency and avoid duplication and waste.	*
11. Consider eliminating the mailings of newsletters and other publications, and posting all information on the Internet.	*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
12. Relocate the Agricultural Center Board and the State Farmers' Market Authority under the Department of Agriculture and Industries.	*
13. Consider selling the State Farmer's Market Restaurant and Seed Market, both of which lose $210,000 per year.	$420,000
Total	**$611,000**

Property Revenue

n/a

Total **$***

Property Savings

1. Sell or lease warehousing and refrigeration services.	*
Total	**$***

Fee and Tax Increases

1. Review the Department's entire fee structure and the portion of the petroleum commodities inspection fees that the Department receives.	*
2. Change the petroleum fee from the flat amount of $175 per month to a percentage in order to increase revenue.	*
Total	**$***

General Recommendations

1. Eliminate "Industries" from the departmental name due to the fact that the title "Alabama Department of Agriculture" most accurately defines the agency's scope and mission.	*
Total:	**$***
Grand Total:	**$611,000**

*Potential cost savings requires further study.

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Alabama Department of Conservation and Natural Resources

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount
Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $34,190,000.	
Cost Savings	
1. Establish seafood management stations.	$40,000
2. Provide greater personnel and financial management flexibility to Alabama State Parks in order to generate $2 million in cost savings.	$2,000,000
3. Expand and/or improve parks with a market or user base that is capable of producing a net retained earnings and positive economic impact.	*
4. Create a partnership between parks owned by the state with an insufficient market or user base able to produce positive retained earnings with local communities in order to provide the needed recreational opportunities.	*
5. Return non-state owned and leased parks with no user base or potential to produce positive retained earnings back to their owners for continued operation.	*
6. Provide flexibility to ground lease the Gulf State Park resort and conference center.	*
7. Permit the Finance Department to contract with an oil and gas-auditing firm to perform audits on all State of Alabama oil and gas leases.	*
8. Incorporate a stricter enforcement of the registration requirement for documented boats in Alabama.	$250,000
9. Combine the law enforcement efforts of the Wildlife and Freshwater Fisheries with the Marine Police, effective October 1, 2003.	$1,800,000
14. Remove the legislative requirement for social security numbers to be provided by applicants for hunting and fishing licenses, boater registration, etc. and allow applicant's to use their Driver's License numbers instead.	*
Total	**$4,090,000**
Property Savings	
n/a	
Total	**$***
Property Revenue	

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
1. Centralize all state land management.	$3,000,000
2. Enact legislation to increase the amount of timber from $500 (i.e., existing law allows for certain timber up to $500 may be sold on a negotiated basis) to $25,000 in order to enhance the state lands' ability to manage timber for the State of Alabama. We anticipate an additional $500,000 in revenue and paperwork reduction.	$500,000

Total: **$3,500,000**

Fee and Tax Increases

1. Increase State Parks' user fees by 6%.**	$1,500,000
3. Increase hunting and freshwater fishing licenses.**	$3,300,000
4. Review statutory exemptions for certain user fees.**	$1,800,000
5. Increase boat registration fees. Consider fee structure of no less than $2.00 per foot.** Category 1, Up to 16', increase by 33% from $11 to $15. Category 2, 16'-26', increase by 40% from $15 to $21. Category 3, 27'-50, increase by 50% from $30 to $45. Category 4, Over 50', increase by 60% from $50 to $80.	$2,000,000
6. Enact a title law requiring titles for all boats, personal watercrafts, and all terrain vehicles (ATVs).	$10,000,000
6. Increase saltwater hook and line licenses.**	$3,000,000
7. Remove legislative authority for determining/raising fees and reallocate this authority to the Conservation Advisory Board.	*
8. Relocate the Alabama Soil and Water Conservation Agency and the Rural Conservation and Development Agency under DCNR.	*

Total: **$21,600,000**

Grand Total: $29,190,000

*Potential cost savings requires further study.
**Further study is needed to determine if the proposed fee and tax increases for the Department of Conservation and Natural Resources could be transferred to the general fund.

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Alabama Department of Environmental Management

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $8,690,000.

Cost Savings

	Cost Reduction/Savings Amount
1. Consolidate Alabama's Coastal Program in order to enhance efficiency, and produce a more streamlined approach and potential savings. Pursuant to state law, this program is divided between ADEM and the Alabama Department of Conservation and Natural Resources (ADCNR). ADEM is charged with the regulatory functions while planning functions reside with ADCNR (state law actually charged the Department of Economic and Community Affairs with this responsibility which was subsequently shifted to the ADCNR via an Executive Order from Governor Siegelman). This committee endorses this recommendation from the agency.	$50,000
2. Consolidate Water: Quality and Quantity - ADEM administers environmental programs dealing with water quality, including permitting, monitoring, and enforcement, while the Alabama Department of Economic and Community Affairs administers programs (Office of Water Resources - OWR) that address water quantity. Water management would be more effective and efficient if these two components were administered by one entity. Consolidation into ADEM would enhance efficiency. This committee endorses this recommendation from the agency.	*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
3. Consolidate Mining - Regulation of Alabama's mining industry is currently distributed across several state agencies. The Alabama Surface Mining Commission regulates coal mining, the Alabama Department of Industrial Relations regulates the reclamation of non-fuel mining sites and implements the Abandoned Mine Lands Reclamation Program, and ADEM regulates all mining activities. Informal discussions related to consolidation, involving all three agencies occurred earlier this year. Consolidation into ADEM would enhance efficiency. This committee endorses this recommendation from the agency.	*
4. Consolidate Solid Waste - Pursuant to state law, responsibility for solid waste management is divided between ADEM and the Alabama Department of Public Health (ADPH). ADEM has statutory authority over the disposal of solid waste, to include the recently enacted responsibility for scrap tires, while the ADPH regulates the collection and transportation of solid waste. Both agencies respond to unauthorized disposal. A seamless solid waste management program offers efficiencies and reduced implementation costs. Consolidation into ADEM would enhance efficiency. This committee endorses this recommendation from the agency.	*
5. Consider consolidation for Environmental Education functions - Receipts from the purchase of environmental tags are dedicated to environmental education. It is not known how much money is expended by other agencies, such as Conservation, the Forestry Commission, or the Department of Education, for environmental or conservation educational initiatives of a similar nature, and whether some consolidation is desirable or possible.	*
6. Require legal notices that are currently published in newspapers to be changed to web publication.	$50, 000
7. Review the current donated leave program implementation.	$40,000
8. Recover state administrative appeal costs, if the state prevails.	$200,000.
a. *Total*	**$340,000**

Property Savings

n/a

b. *Total* **$***

Recommendations from the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount

* Potential cost savings requires further study.

Grand Total: $5,900,000

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Geological Survey of Alabama

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount
Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $*.	
Cost Savings	
1. Consider eliminating mailings of newsletters and other publications, and posting all information on the Internet.	$*
Total	$
Property Revenue	
2. Consider developing strategies to tap into the non-fuel mineral resources that are not currently being utilized.	$*
Total	$*
Property Savings	
n/a	
Total	$*
Fee and Tax Increases	
1. Charge fees for materials, publications, maps, and other information provided to public and private entities and the general public.	$*
Total:	$*

General Recommendations

*Potential cost savings requires further study.

Grand Total: $*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Liquefied Petroleum Gas Board

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount
Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $350,000.	
Cost Savings	
1. Consolidate the Alabama Liquefied Petroleum Gas Board under the Department of Transportation, or an appropriate department.	$*
Total	$*
Property Savings	
n/a	
Total	$*
Property Revenue	
n/a	
Total	$*
Fee and Tax Increases	
1. Establish a fee on every installation (including convenience stores) as is done in other states and deposit all fees into the General Fund.	$*
2. Change the law to increase the upper limit on LPG-Fees (cost/gallon @ wholesale level) by an additional 1/5 of a percent of the total invoice, which equals $350,000.	$350,000
Total:	**$350,000**

General Recommendations

*Potential cost savings requires further study.

Grand Total: $350,000

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Oil and Gas Board

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount
Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $350,000.	
Cost Savings	
1. Consider eliminating the mailings of newsletters and other publications, and posting all information on the Internet.	$*
Total	$*
Property Revenue	
n/a	
Total	$*
Property Savings	
n/a	
Total	$*
Fee and Tax Increases	
1. Consider doubling the fees in order to generate an additional $350,000. Revenue generated by fees and permits is currently $350,000.	$350,000
Total:	$*

*Potential cost savings requires further study.

Grand Total: $350,000

Recommendations from the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

General Recommendations

These recommendations represent Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $5,900,000.

Cost Savings

	Cost Reduction/Savings Amount
1. Revamp the Debit card purchasing system - Purchases under $500 could be purchased using a "debit card" system and patterned after the federal government's system. Based on the State Finance Department's Statewide Cost Allocation Plan for the fiscal year ending 9/30/03, ADEM could save $5,335. If other departments have similar percentages, the total savings could be substantial.	*
2. Implement a State Travel program similar to the federal government's program (e.g. reimbursement based upon receipts).	*
3. Eliminate non-overnight travel per diem.	*
4. Consider consolidating the Alabama Forestry Commission and the Alabama Department of Conservation and Natural Resources in order to minimize the duplication of services, encourage efficiency, and streamline services rendered to the Alabama citizens. Estimated savings at 15% of FY04 appropriated expense equals $3, 930,000.	$3, 930,000
5. Consider consolidating the Alabama Liquefied Petroleum Gas Board and the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services. Estimated savings at 15% of FY04 appropriated expense equals $148,000.	$148,000

Recommendations from the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
6. Consider consolidating the Alabama Surface Mining Commission ($962,000), the State Oil and Gas Board of Alabama ($375,000), and the Geological Survey of Alabama ($485,000), into the Alabama Department of Environmental Management in order to combine environmental agencies that share similar missions, allowing them to better address environmental issues vital to the Alabama citizens. Estimated savings at 15% of FY04 appropriated expense equals $1,822,000.	$1,822,000
7. Consider shifting the gas pump inspection function of the Alabama Department of Agriculture and Industries to the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services. .	*
8. Consider the clustering of administrative functions of all agencies where responsibilities are similar (e.g., accounting, legal, purchasing, personnel, communications, information technology, etc.). Estimated savings are including in items 4, 5, and 6 as indicated above.	*
9. Consider reducing the percentage of the Alabama Oil and Gas Trust Fund that is going to Forever Wild. Total budgeted support for 2004 is $10,126,648. An alternative would be to place Forever Wild procurement on hold for a couple of years; however, the sub-committee was unable to reach full consensus.	*
10. Maintain the funding of the Alabama Soil and Water Conservation Agency while housing the agency under the Alabama Department of Conservation and Natural Resources.	*
Total:	**$5,900,000**

Property Savings

n/a

Total: $*

Property Revenue

n/a

Total: $*

Recommendations from the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

General Recommendations

These recommendations represent Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $5,900,000.

Cost Savings

	Cost Reduction/Savings Amount
1. Revamp the Debit card purchasing system - Purchases under $500 could be purchased using a "debit card" system and patterned after the federal government's system. Based on the State Finance Department's Statewide Cost Allocation Plan for the fiscal year ending 9/30/03, ADEM could save $5,335. If other departments have similar percentages, the total savings could be substantial.	*
2. Implement a State Travel program similar to the federal government's program (e.g. reimbursement based upon receipts).	*
3. Eliminate non-overnight travel per diem.	*
4. Consider consolidating the Alabama Forestry Commission and the Alabama Department of Conservation and Natural Resources in order to minimize the duplication of services, encourage efficiency, and streamline services rendered to the Alabama citizens. Estimated savings at 15% of FY04 appropriated expense equals $3, 930,000.	$3, 930,000
5. Consider consolidating the Alabama Liquefied Petroleum Gas Board and the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services. Estimated savings at 15% of FY04 appropriated expense equals $148,000.	$148,000

Recommendations from the Environment and Natural Resources Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
6. Consider consolidating the Alabama Surface Mining Commission ($962,000), the State Oil and Gas Board of Alabama ($375,000), and the Geological Survey of Alabama ($485,000), into the Alabama Department of Environmental Management in order to combine environmental agencies that share similar missions, allowing them to better address environmental issues vital to the Alabama citizens. Estimated savings at 15% of FY04 appropriated expense equals $1,822,000.	$1,822,000
7. Consider shifting the gas pump inspection function of the Alabama Department of Agriculture and Industries to the Alabama Department of Transportation in order to allow this function to be performed by the agency receiving the revenue for the services. .	*
8. Consider the clustering of administrative functions of all agencies where responsibilities are similar (e.g., accounting, legal, purchasing, personnel, communications, information technology, etc.). Estimated savings are including in items 4, 5, and 6 as indicated above.	*
9. Consider reducing the percentage of the Alabama Oil and Gas Trust Fund that is going to Forever Wild. Total budgeted support for 2004 is $10,126,648. An alternative would be to place Forever Wild procurement on hold for a couple of years; however, the sub-committee was unable to reach full consensus.	*
10. Maintain the funding of the Alabama Soil and Water Conservation Agency while housing the agency under the Alabama Department of Conservation and Natural Resources.	*
Total:	**$5,900,000**

Property Savings

n/a

Total: $*

Property Revenue

n/a

Total: $*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
General Recommendations	
*Potential cost savings requires further study.	
**These recommendations should be reviewed by the Alabama Department of Revenue to determine feasibility of implementation.	
Grand Total:	**$1,276,000**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Alabama Forestry Commission

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $11,836,000.

	Cost Reduction/Savings Amount
Cost Savings	
1. Determine if the state should be involved in overseeing the volunteer fire department system. Consolidate fire management services and the Federal Excess Property Program under the State's Emergency Management agency.	$1,291,000
2. Eliminate the Rural Community Fire Protection Institute.	$6,000
3. Eliminate Hauss and Hopper nursery services and/or outsource the Hauss nursery to Atmore prison.	$135,000
4. Eliminate the Alabama TREASURE Forest Association.	$213,000
5. Eliminate the Alabama Wildlife Federation.	$53,000
6. Terminate the Tree Improvement Program at Thorsby and Geneva State Forests.	$253,000
Total	**$1,951,000**
Property Savings	
n/a	
Total	$*
Property Revenue	
n/a	
Total	$*
Fee and Tax Increases	
1. Enact legislation to increase the severance tax by 50%. Severance Tax income in 2002 was approximately $4,000,000.	$2,000,000**
2. Submit a referendum to increase acreage assessments from 10 cents to 20 cents per acre. The current income at 10 cents per acre is $1,800,000. The increase would be $1,800,000.	$1,800,000**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
3. Increase charges for plowing firebreaks and prescribed burnings. The current rates (competitive with private rates) bring in about $250,000 (gross) annually.	$50,000
4. Charge for management plans or similar types of landowner assistance (e.g., $100). There were 592 management plans written in FY '03. Although charging for plans may reduce the number produced, even if 350 plans were requested, $35,000 in total revenue would be generated.	$35,000
5. Set the new license fees in multiples of 2.5 – 5 mills (0.25 - .50%) of the previous year's sales, with 5% of the fees going to the county, and the rest distributed to the Alabama Forestry Commission. The revenue would be used by this state agency to improve the protection of the forest, improve the natural productivity of the forest resources, improve the sustainable management of forest resources in Alabama, as well as provide landowner assistance to help landowners carry out responsible forest management on their property. It is anticipated that this License Fee would generate about $6 million annually at the rate of 2.5 mills; $12 million at the rate of 5 mills. It would impact about 317 lumber retailers, 714 furniture retail stores, 98 box retailers, and 125 paper wholesalers across the state.	$6,000,000**
Total:	**$9,885,000**

**These recommendations should be reviewed by the Alabama Department of Revenue to determine the feasibility of implementation.

Grand Total: $11,836,000

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

November - December 2003

Alabama Surface Mining Commission

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Recommendation Summary: The ENR Sub-Committee recommends the following cost savings and revenue enhancements with a combined impact of $1,276,000.

Cost Savings

	Cost Reduction/Savings Amount
1. Consolidate programs- The Alabama Department of Industrial Relations regulates non-coal mining operations, inspects and, enforces mine employee safety laws for coal and non-coal mining operations, and administers the Abandoned Mine Land Reclamation program for areas mined prior to 1981. Although there is no duplication of services, many of the functions of both agencies could be handled by personnel with the same expertise. Discussions are ongoing with the Director of ADIR concerning potential program consolidation. These programs should be consolidated under the Surface Mining Commission and relocated within the Alabama Department of Environmental Management.	*
2. Consolidate the Abandoned Mine land Program (AML) into the Surface Mining Commission. As senior staff retires, further consolidation and shifting of responsibilities would result in additional savings, as would centralizing the location of both facilities. This program should be consolidated under the Surface Mining Commission and relocated within the Alabama Department of Environmental Management.	$200,000

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
3. Reduce personnel- many senior staff members are eligible or nearing their eligibility for retirement. The agency will continue its practice of only filling those vacancies that are absolutely essential and combining the workload of the remaining employees. If those eligible to retire do so, this could save approximately $135,000 in FY 2005, assuming that mining activities do not increase. We project that over the next two years, as many as ten current members of our staff will be eligible to retire and will exercise that option. If none of these positions are filled, the savings in total expenditure would be approximately $250,000 from the General Fund.	$250,000
4. Reduce travel- Eliminate per diem by requiring field personnel to return to the office before 6 hours.	$24,000
Total	**$474,000**

Property Savings

n/a

Total	**$***

Property Revenue

n/a

Total	**$***

Fee and Tax Increases

1. Add an additional severance fee based on the tonnage mined that is earmarked to the Surface Mining Commission (4 cents per ton). This would enable the Commission to be self-sufficient and able to decline an appropriation from the General Fund. At the present time, none of the existing coal severance tax revenue goes to the Surface Mining Commission. This would generate approximately $800,000 in revenue per year based on 19 million tons production.	$800,000**
2. Charge a certification fee through the Surface Mining Commission for persons who use explosives in coal mining in order to shift the nominal cost of certification to the person being certified.	$1,000
3. Grant the Surface Mining Commission legislative authority to require a filing fee for administrative proceedings. This would shift some costs of administrative proceedings to the petitioner.	$1,000
Total:	**$802,000**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be Considered

	Cost Reduction/Savings Amount
Property Revenue	
n/a	
c. Total	**$***
Fee and Tax Increases	
1. Implement a discharge fee for all releases to the environment and consumer fees for drinking water usage. Revenue will be used to fund ADEM programs.	$8,000,000
2. Establish minimum fees for document reproduction to be paid by those requesting copies. This recommendation should be considered by all state agencies.	$200,000
3. File permits applications, monitoring data, etc. and pay permit fees electronically.	$150,000

*Potential cost savings requires further study.

Total: **$8,350,000**

Grand Total: $8,690,000

OPERATIONS AND ACCOUNTABILITY
SUBCOMMITTEE OF THE GOVERNOR OF
ALABAMA'S COMMISSION ON EFFICIENCY,
CONSOLIDATION, AND FUNDING

REPORT AND RECOMMENDATIONS

DECEMBER 12, 2003

MEMBERS OF THE OPERATIONS AND ACCOUNTABILITY SUBCOMMITTEE

Attorney General Bill Pryor (Chairman), State of Alabama

Mr. Winton Blount III, Blount-Strange Holdings

Mr. Wayne Eldridge, Allstate Insurance

Mr. Bob Ingram, Finance Director in Brewer Administration

Mr. Mac McArthur, Alabama State Employees Association

Mr. Russell Davis, Home Builders Association, Business Tax Coalition

Mr. Freddie Patterson, ALFA

Charla Doucet, Attorney Generals Office

REPORT AND RECOMMENDATIONS

OPERATIONS AND ACCOUNTABILITY SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

Introduction and Background

On October 23, 2003, Gov. Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation and Funding, a panel designed to find ways for General Fund and other non-education agencies to cope with the ongoing fiscal crisis in state government. The group held its first meeting on Friday, October 24, 2003, at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the comprehensive study, the commission members were divided into five separate sub-committees tasked with examining the areas of Government Operations and Accountability, Environment and Natural Resources, Public Safety, Commerce, and Health and Human Services. The Operations and Accountability sub-committee consisted of the following members: **Bill Pryor** (Chairman), Alabama Attorney General; **Winton Blount III** (Co-Chairman), Blount-Strange Holdings BE&K; **Wayne Eldridge**, Allstate Insurance; **Bob Ingram,** Finance Director in Brewer Administration and retired journalist; **Mac McArthur,** Alabama State Employees Association; **Russell Davis**, Home Builders Association, Business Tax Coalition; and **Freddie Patterson, ALFA.** Sandy McLure and Charla Doucet of the Attorney General's Office; John Hummel, the Center for Government at Auburn University

Montgomery; and Mike DeBow, the Cumberland School of Law provided technical support to the sub-committee.

The twelve functional areas and agencies that fall under the Operations and Accountability sub-committee include: the Governor's Office; the Lt. Governor's Office; the State Treasurer; the Secretary of State; the Ethics Commission; the ABC Board; the Public Service Commission; the State Personnel Department; the Department of Revenue; the State Auditor; the Examiners of Public Accounts; and the Finance Department.

The subcommittee established criteria upon which to evaluate each of the areas under their consideration. These six points of criteria are: 1) Identification of duplicative, ineffective, or nonessential services; 2) Streamlining of services; 3) Identification of better use of technology; 4) Identification of methods to reduce dependency on the General Fund; 5) Identification of methods to better utilize existing revenue sources; and 6) Identification of laws that could be changed to bring greater efficiency to the management of state agencies or departments.

Summary of Meetings and Methodology

The Environment and Natural Resources sub-committee held its first meeting immediately following the Commission's meeting on October 24, 2003. The Sub-committee continued to meet throughout the months of October, November and December, meeting on October 31st, November 7th, November 14th, November 21st, November 25th, December 2nd, December 9th, and December 12th. During meetings, the sub-committee heard testimony from the leader of each agency that fell under their consideration.

Additionally, the leader of each agency completed a survey which solicited recommendations concerning consolidating services and departments, cutting costs, and eliminating non-essential programs. Finally, input from the public and state employees was solicited through a number of means. Citizens or employees were encouraged to attend subcommittee meetings, provide suggestions through e-mail, written letters, or by telephone in order to ensure that their concerns were heard. The testimony, the results of the surveys, and the suggestions from the public and state employees were carefully considered by sub-committee members in developing the recommendations contained herein.

FINAL REPORT OF THE SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND ACCOUNTABILITY

Unanimously Approved on December 12, 2003

Committee Members
Attorney General Bill Pryor, Chairman
Mr. Winton Blount, Co-Chairman
Mr. Russell Davis
Mr. Wayne Eldridge
Mr. Bob Ingram
Mr. Mac McArthur
Mr. Freddie Patterson

Introduction

This Subcommittee was asked to review 1) the General Fund budget (approximately $1.2 billion), and 2) the operations of twelve state departments and agencies,[1] to identify ways to reduce state government expenditures and increase accountability in state government. To these ends, the Subcommittee conducted seven public meetings[2] and heard from more than two dozen representatives from the departments and agencies studied. The members of the Subcommittee appreciate the cooperation we received from these individuals, who, often on short notice, made helpful contributions to our deliberations.

The Subcommittee offers this report in addition to the data provided in the tabular format requested by the Governor's Commission on Efficiency, Consolidation, and Funding. In it, we highlight the most promising areas of possible reform we have identified. We hope this report will give the members of the Commission as well as interested citizens a better understanding of our research into the serious budgetary challenges the state now faces.

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[1] The departments and agencies included the Governor's and Lieutenant Governor's offices, Secretary of State, State Treasurer, State Auditor, Examiners of Public Accounts, Ethics Commission, Public Service Commission, Department of Finance, State Personnel Department, Alcoholic Beverage Control Board, and Department of Revenue.

[2] The meetings were held on October 31, November 7, 14, 21, and 25, and December 2 and 9. The minutes and handouts are attached to this Report.

As the voters decided in September, state government must first demonstrate better accountability and efficiency before tax increases can be considered. Governor Riley has stated this goal quite clearly. Accordingly, the Subcommittee has tried to identify those areas where spending may be cut with the least harm to core state government functions. We are not in a position, on the basis of our limited efforts to date, to make strong recommendations for immediate action. We are in a position to identify a number of areas where opportunities for cost-savings, both in the short and long term, appear substantial enough to warrant further serious investigation. This report describes these areas for state government reform.

We want to be clear about one additional item at the outset: The suggestions we make as to possible reforms would, in many instances, be painful changes to make and would require political courage to implement. Although difficult, careful, planned change is surely preferable to the kind of unplanned, haphazard change that would be generated by proration of the General Fund during the 2004-05 fiscal year.

This report is organized in four sections, each dealing with one key area of state government reform: human resources, administrative, financial, and consolidation/reorganization/privatization.

I. Human Resources Reforms

State employees' salaries and benefits constitute the largest single category of General Fund expenditures. Obviously, any serious attempt to economize on the General Fund must consider this category closely. Just as obviously, any proposal to cut spending – or to reduce the rate of growth of spending – on salaries and benefits will encounter

significant opposition. We have chosen to emphasize the facts as we found them, and make suggestions as to potential avenues of future research. We do not, however, endorse any particular reforms in this area at this time.

Salaries. According to the Personnel Department, the average salary for Alabama state employees in 2002 was $32,948 – about 7% above the regional average of $30,847. That a number obviously has its limitations. For example, the state might be paying unnecessarily high salaries for one category of employees, and inefficiently low salaries for another. At a minimum, however, this statistic shows that the State as an employer is at least "in the ballpark" with respect to salaries paid by other state governments in the Southeast. This fact should be kept in mind when considering possible changes to other elements of the compensation packages offered state employees.

Health Insurance. This category of expenditures is large and growing rapidly. Indeed, the forecasted double-digit growth of this employee benefit constitutes the most ominous development we can identify in this report. We urge the Commission to make this topic one of its high-priority items for further research and future action.

Presently state employees' health insurance is provided through the State Employee Health Insurance Board (SEHIB). The state self-insures and has contracted with Blue Cross/Blue Shield to manage this program. One-third of the state's contribution to the costs of the Program comes from the General Fund; the other two-thirds come from other sources, including Federal funds.

The per-employee costs compare very favorably with those of other Southeastern states. Employee-only coverage costs the state $219.51 per month per employee (who currently does not pay anything for his or her coverage), compared to the Southeastern

average of $299.73 per month. (Only Mississippi, at $219.00, is lower; the highest is Tennessee, at $369.10.) Alabama's family coverage costs the state $390.40 per month, and the employee, $164.00. This combined cost of $554.40 is the lowest in the Southeast, well below the regional average of $730.87. (The highest cost state is once again Tennessee, at $921.51.)

The rising total cost of the SEHIP is a cause for real concern. Rising health care costs will continue to push premiums higher, and the recent dramatic increase in the number of retired state employees who remain covered by the SEHIP (and whose coverage is funded out of the current contributions of the state and family-coverage employees) shows no signs of abating. As of September 2002, SEHIP covered 36,031 active employees[3] and 14,093 retirees. Only 4,607 of the covered retirees were covered by Medicare (thus lowering the costs to the state),[4] while 9,386 were too young to be eligible for Medicare.[5] All retirees receive the same insurance coverage and pay the same health insurance premiums regardless of the number of years of service to the state. Thus, a retiree with 10 years of service receives the same coverage at the same cost as a retiree with 25 or more years of service.

The constant increases in health care costs, along with the growth in numbers of early retirees,[6] pose a threat to the long-term viability of the current SEHIP arrangements. Accordingly, we urge the Commission to conduct a thorough study of the state's health insurance system. We recognize that there was some study of this issue in connection with House Bill 9, an element of the Amendment 1 package that was rejected

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[3] Of this number, 20,632 enjoyed single coverage, and 15,399 opted for family (dependent) coverage.
[4] Of this number, 2,687 enjoyed single coverage, and 1,920, family coverage.
[5] Of this number, 6,409 enjoyed single coverage, and 2,977, family coverage.
[6] The total number of covered retirees rose from 14,093 in September 2002 to 15,639 in fiscal year 2003.

by the voters in September. That bill called for current state employees to contribute to their single coverage at the Southeastern average of 12.5% (or just under $40 per month),[7] subject to a complicated phase-in arrangement. We would ask that the full range of possibilities be considered in a future study – including the possibility of offering cheaper, less generous coverage options to employees, charging differential rates for increased numbers of covered dependents, and the like. We understand that this will be a daunting task, and one that will affect the lives of many current and former state employees. During such deliberations, we would ask that consideration be given to employees at low income levels. We are constrained to state, however, that a rethinking of health insurance is necessary to the future viability of the state's provision of health insurance to its employees.

Retirement/DROP. Alabama offers its employees a generous retirement benefit. In particular, we note that state employees are entitled to retire with full benefits after 25 years of service, regardless of an employee's age. Only two states require fewer years of service, and most states have a 30-year service requirement. Furthermore, eighteen states use a combination of years of service and age to determine eligibility.

The phenomenon of "early retirement" puts increased stress on the retirement system in a manner similar to its effects on SEHIP. We recommend further study of the possibility of revamping the retirement program to obtain some measure of control on the upward spiral of retirement costs. In particular, we suggest a thorough review of the "DROP program," whereby retirement-eligible employees "retire," but remain on the job with the deferral of their "date of separation." One idea discussed was eliminating DROP

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[7] The Southeastern state employee contribution for single coverage ranges from zero (Alabama, Kentucky, and Mississippi, North Carolina, and Texas, to a high of $123.12 in Louisiana. The average contribution of

with respect to those not already "in the program" as of the effective date of the needed legislation. One estimate of the cost savings to the General Fund of such a change was roughly $1 million annually. Beyond this, Mr. Marc Reynolds, a representative from RSA, was of the opinion that changes to state retirement benefits did not hold out much of a prospect for savings in "immediate dollars."

Longevity pay. This form of compensation cost the state over $14 million for all employees last year. Eligibility is established by statute, and is currently based on longevity alone. We recommend rethinking this form of compensation, with the goal of tying it to performance in some fashion.

Leave policies. Alabama has a variety of leave but the majority of categories include: annual, military, sick, donated, and educational. Annual leave and military leave are established by statute. Sick leave is established by State Personnel Board rule. Donated leave is established by statute but effectively administered by each agency administrator. Educational leave is established by State Personnel Board rule. One concern with the present leave policies is the lack of uniformity in the application of the policies. Alabama's policies here are, taken together, at the more generous end of the range among Southeastern states. Tightening up these benefits should be investigated further.

Holidays. Alabama law defines 13 paid holidays per year and, almost as a matter of tradition, the Governor grants additional holidays around Thanksgiving and Christmas. This is the largest number of holidays among Southeastern state governments, and is also out of line with the Federal government's practice (10 holidays) and with private sector practice. (For example, AT&T recognizes six holidays and two "floating holidays," and

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12.5% amounts to $37.61 per month.

gives two further personal days, annually.) This generosity results in the payment of additional "holiday pay" at a straight time rate. Reducing the number of holidays – to 10, for example – should be considered as a way to provide additional efficiencies in how Alabama government is conducted.

Job sharing/part-time employees. We recommend further study of this strategy.

Merit system reform. We note that this system was designed several years ago and that certain of its components – particularly its various job descriptions – may simply be outdated. We recommend a review of the performance of the merit system.

II. Administrative Reforms

"E-government." State governments around the country are aggressively taking advantage of changes in technology – particularly the Internet and other digital technologies – to revamp their operations. We found much evidence that Alabama state agencies are pursuing such "e-government" initiatives, and are aware of other opportunities that could be exploited if sufficient start-up funds were made available. We see this area as a potentially lucrative investment opportunity for the state, and recommend it be given serious further study.

We should note, however, that we heard a lot of criticism of the past performance of the Information Services Division (ISD) of the Department of Finance in promoting the adoption of new technologies. We are also aware that Rex McDowell has recently taken the helm at ISD, and we wish him well. Some officials discussed the possibility of moving the IT function out of Finance and into a new, free-standing Department of Information Technology – an idea that warrants further consideration.

We also urge discussion of the possibility of using state "capital improvement" funds to establish a new "technology fund" to underwrite the acquisition of the IT equipment necessary for state agencies to adopt appropriate digital and other technologies. Some specifics follow.

Mr. Ed Bridges, Director of the State Department of Archives and History, described the extensive efforts already underway to digitize state record-keeping, where the benefits of using that technology exceed the costs. He noted the importance of keeping the cost-benefit question in mind when dealing with records management questions; in some cases, conversion of documents to digital form is more expensive than (relatively) short-term storage of the paper document, followed by its destruction. He stated that with additional leadership from ISD and funding through the above-mentioned capital fund, the state could take advantage of new developments in this field in such a way as to reduce state record-keeping costs overall.

Mr. Dwight Carlisle, the Commissioner of Revenue, described the possible savings from the creation of a state data "warehouse" – such as recently established in Minnesota, Texas, and Iowa. This would enable state agencies to use "data mining" (i.e., the cross-referencing of large state databases) to detect tax cheats, Medicaid fraud, deadbeat dads, and the like. If the Department of Revenue spent $9 million over three years, it could engage in this electronic enforcement activity; if adopted statewide, the average cost of using this technology would drop accordingly. This technology seems to us to offer the possibility of substantial benefits net of costs, and should be studied further.

Presentations to the Subcommittee showed that state agencies had made substantial progress in moving to a system of electronic payments to vendors (in lieu of paper checks), and the placement of public records on the Internet. We endorse both developments, and urge consideration of further efforts to make state financial transactions paperless, and to move to an Internet-only system of public notices and other widely used public records. (One concrete example discussed in our meetings is the possibility of putting all the Ethics Office reporting forms online, and dispensing with paper filings with that agency.)

The savings that would be made possible by redoubled state efforts in the area of e-government strike us as worthy of the commitment of capital-improvement trust funds.

Procurement and purchasing. Mr. Isaac Kervin, the State Purchasing director, provided an overview of the on-going efforts to reform state purchasing and procurement. He asked for statutory changes 1) to allow his agency to put invitations to bid on the internet (the law currently requires they be mailed to vendors); 2) to raise the bid limits and the limits on independent purchasing authority, in order to bring them into line with other Southeastern states; and 3) to allow his agency to participate in multi-state purchasing consortia (with possible savings on the order of 10%). We endorse the further study of all of these ideas.

Telecommunications. One intriguing possibility raised only briefly in one meeting was the possibility of the state government becoming the provider of its own telephone service (becoming its own CLEC ("competitive local exchange carrier") in the lingo of telecommunications law). Although we do not have enough information on this idea to have a strong opinion on its feasibility, we do think it deserves some further study.

It was brought to our attention that state agencies in the Montgomery area are charged monthly rentals on their telephone sets to fund areas of ISD. We suggest that this practice be reviewed. Also in the telecom area, we recommend that the use of video conferencing as an alternative to employee travel be seriously considered.

III. Financial Reforms

State Treasurer's Office. Because all interest income earned by the Treasurer's Office goes to the General Fund, the investment management performed by this office was of particular interest to the Subcommittee. This amount varies considerably over time – from $72.9 million in the fiscal year ending September 2001 to $18.7 million in the fiscal year ending September 2003, for example. The Subcommittee discussed with Mrs. Kay Ivey, the State Treasurer, whether the state is currently maximizing the interest earned on these funds, consistent with prudent investment practices. She stated that the Treasurer's Office is currently constrained by statute to invest its funds in a way that is much more restrictive than is observed by most other states. The Treasurer asked that serious attention be given to modernizing these statutes to give the Office the discretion to 1) invest in prime quality commercial paper; 2) solicit competitive bids on certificates of deposit and time deposit open accounts for terms of six months to four years; and 3) invest in money market demand deposit accounts. We strongly endorse the further study of her recommendations, and we suggest that the Finance Department be utilized in this effort.

The Treasurer also asked for a study of the possibility of accelerating the reporting of unclaimed proceeds from the demutualization of life insurance companies from five years to two years. This change would likely generate a $5 million to $7

million transfer to the General Fund in the first year, if adopted. We are also pleased to second this recommendation.

Alabama Trust Fund. In a similar vein, State Finance Director Drayton Nabers explained that the Alabama Trust Fund's portfolio is comprised of 80% fixed securities and 20% equity securities. He argued that the Alabama Trust should invest more heavily in equity securities than it is. Further, he noted that the board has discretion to do this. At a minimum, the board should study the feasibility of such a change in policy.

Debt restructuring. Mr. Nabers indicated that the state currently has a bonded indebtedness of some $2.9 billion. The state has looked into possibility of refunding portions of this debt, and has found very little opportunity here. One study is on-going, and may result in the refunding of a portion of the state's debt. Other than this possibility, Mr. Nabers stated that there were no real savings to be reaped here.

Asset sales. Mr. Nabers noted that the Finance Department had not reviewed a list of the state's assets, but opined that it would be imprudent for the state to sell capital assets to finance current spending. He stated that a review should be undertaken of the real property owned by state agencies, with an eye to possible sales. We agree that further study of the state's real assets is advisable.

IV. Consolidation/Reorganization/Privatization

Alabama state government is remarkably decentralized. Although this arrangement confers some benefits, it also complicates efforts to realize economies of scale and adopt new techniques and technologies statewide. We will come back to this point in the concluding section of the report.

Alcoholic Beverage Control Board. This agency, which receives no appropriation from the General Fund, seemed an obvious candidate for privatization. Chairman Emory Folmar, however, presented several reasons why this is an unattractive option at this time. The most significant roadblock to a successful (i.e., highly remunerative) sale of stores is the existence of some 460 licensed private retailers of spirits, which account for about 20% of the sales of spirits. These private retailers make it impossible for the state to sell a particular ABC store with an attached "exclusive market area" (as recently in West Virginia), which would depress the price the state would realize in any sale. Further complications would arise in the form of increased administrative costs in collecting liquor taxes through privatized ABC stores, concerns about lax enforcement of drinking-age rules by private owners, substantial lease "overhangs" (i.e., relatively long-term leases) at many locations, and the fate of more than 500 current employees. Although the Chairman expressed his willingness to contribute to whatever decision is eventually made in this regard, the Subcommittee does not see privatization of the ABC Board as a likely prospect in the near future.

The Chairman also reported on the on-going efforts to reform the agency, including the decision to drop sales of wine and concentrate on the sale of spirits only, a drastic reduction in the Board's inventory lists, and the automation of its warehouse operations and a concomitant reduction in warehouse staffing levels.

Public Service Commission. The PSC is funded by fees charged to regulated companies. It does not receive an appropriation from the General Fund, and remitted over $4 million to the General Fund in the last fiscal year from the fees it received from regulated firms.

The agency's future direction, given the eclipse of traditional rate-of-return price regulation and the partial deregulation of the telecommunications and energy sectors, was discussed. The agency agreed that more emphasis on its consumer protection mission was necessary, given the new market realities faced by consumers, particularly in telephone service. The advisability of special PSC attention to the needs of rural areas (which are not enjoying the benefits of new entry at the present time), the possibility of extending PSC oversight to water utilities, and the possibility of transferring the transportation enforcement function to the Department of Public Safety were also discussed. We recommend further study of these potential reforms, including the need to redefine job descriptions as appropriate.

The agency argued for the imposition of higher penalties on companies that violate PSC rules, particularly as regards quality-of-service. It also argued for increases in supervision and inspection fees charged regulated firms, and the institution of a filing fee (particularly as a deterrent to frivolous filings). We agree that these ideas deserve a further hearing. In addition, we suggest studying the possibility of charging fees to firms who seek PSC mediation or arbitration of disputes not covered by Title 37.

Board of Examiners/State Auditor. The existence of two separate entities to perform audits of government agencies was discussed. The Board of Examiners, by far the larger entity, is a legislative agency, while the State Auditor's Office is headed by an elected, constitutional officer. The primary responsibility of the former is to audit agencies' accounting records, while that of the latter is to audit agencies' personal property. It seems to us worth thinking about whether these functions should be combined, either in one or the other of the existing entities, or perhaps in a new

administrative entity whose leadership could be named in a way shielded, to the extent possible, from politically-motivated interference. Inasmuch as this would involve amending the state constitution, however, this might be a relatively more difficult reform to pursue.

Business licensing and regulatory boards. State government contains numerous industry-specific boards that license or otherwise regulate business firms and professionals (i.e, Cosmetology, Polygraph Examiners, etc.). We think that significant administrative cost savings may be possible through the consolidation of all these boards into a single department of business and professional regulation. The state of Florida adopted such a reform recently, and could provide a model for discussion.

Legal services. Many state agencies have in-house lawyers who, though appointed through the Attorney General's Office, are physically located in the agencies and are paid out of their agencies' funds. The Attorney General's Office proposed that all state litigation involving employment and civil rights law be consolidated in that office. This plan would add ten to twelve new lawyers in the Attorney General's Office, but would result in staff reductions in the newly-served agencies, increased attorney specialization, better supervision, and lessened reliance on outside (private practice) lawyers. The Subcommittee agrees that this proposal warrants further consideration.

Transport services. The transportation of citizens to and from facilities to receive services from state human services agencies could be coordinated and bid out to private providers, according to a presentation we heard from one such provider with experience running such a service in Georgia. The provider claimed cost-savings and service

improvements resulted from this reform, and we recommend further study of this possibility.

Conclusion

The members of the Subcommittee found our work both challenging and interesting, and potentially very helpful to the state and to the taxpayers. Limits on the time and resources available for our study of these areas had the effect of limiting the scope of this report. There are any number of areas that are only briefly touched upon in the minutes of our meetings, and the attachments thereto, that should be studied further. One common thread among many of the items reviewed was how the implementation of a unified approach to technology could provide both cost savings and efficiencies throughout state government.

In addition, we have heard bits and pieces of proposals to save the state money that we had no time to pursue. Consider three examples: A prescription benefit management firm has claimed that in the first year of a contract with the state it could reduce state employee health costs by more than $10 million, and PEHIP costs by more than $16 million. Over a three-year period, the company projects a total $91 million saving to the state.

To take another example, we have heard that one company proposes to buy the state's automobile fleet for an amount in the $40 million range, and lease it back to the state at an annual amount that is less than we now spend on the state motor pool.

Finally, at our last meeting we received a breakdown on $6.5 million spent on contract employees, and $214.7 million spent on professional services contracts (both in fiscal year 2003). Could these categories of expenditure be tightened up? If so, how?

All three of these areas seem worthy of additional study. Our inability to follow up on every such lead was frustrating. It directs us to recommend further consideration of one last idea: the creation of a state government efficiency task force – perhaps within the Department of Finance – whose job would be to review state government operations on a continuous basis, and propose reforms that would move state government towards the "best practices" available in every functional area. Such a task force would be a counterweight to the tendency toward decentralization in Alabama state government, noted in the opening paragraph of section IV, above.

Other states have agencies dedicated to improving the efficiency of state government, some traveling under the label of "performance-based budgeting." We do not have a specific organizational structure in mind for an Alabama efficiency task force, nor do we recommend a particular set of changes to the budgeting process. We do believe that such a unit could make a significant contribution to the efficient functioning of state government – including new technologies, consolidation, outsourcing, privatization, and other reforms adopted by private sector firms. We enthusiastically recommend further study of this idea.

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Statewide Personnel Programs and Benefits

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Eliminate from the DROP system those employees who were not eligible for retirement on the date DROP legislation enacted. (ERS Savings = $3mil of which General Find portion = $1.05mil)	$3,000,000		
2. Eliminate DROP system in its entirety. (Savings=entire cost of program but probably would not withstand legal challenge).	?		
3. Evaluate alternative pension plans (e.g., Service + Age = 80 yrs = or Service + Age = 90 yrs) for prospective employees (i.e., new hires).	No Immediate Savings		
4. Change the retirement plan to Service + Age = 80 years for employees currently in the system but not eligible for retirement. (Savings = $11.6mil of which General Fund portion = $4mil)	11,600,000		
5. Change the retirement plan to Service + Age = 90 years for employees currently in the system but not eligible for retirement. (Savings = $19mil of which General Fund portion = $4mil)	19,000,000		
4. Tax employee retirement benefits. Savings relative to all benefits (JRF = $.9mil; ERS = $21.6 mil; TRS = $48.2mil)	21,600,000		
5. Increase member contribution rates for health insurance. (Savings per 1% contribution = $10.6mil from ERS; $42mil from TRS; and $.351mil from JRF)	10,600,000		
6. Repeal retiree COLAs (ERS savings = $46 mil; TRS savings = $158mil)	46,000,000		
7. Extend the funding period of ERS from 20 to 30 yrs.	2,125,000		
8. Implement (as recommended in HB 9) a sliding-scale formula to determine a retired employee's contribution to health care costs (i.e., the more years a retiree has given to state employment, the greater the state's contribution to the cost of the retiree's health insurance.)	?		
NOTE: Amount has a range depending on which alternative retirement plan (#4 or #5) is used.	$102,325,000 -		
Total:	$113,925,000		
Property Savings			
n/a	$		
Property Revenue			
n/a			
Fee and Tax Increases			
n/a			

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
Total:			
Grand Total:	$102,325,000-$113,925,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

ABC Board

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Upgrade conveyor system in the warehouse. Could reduce personnel by 20 people.	$475, 000		
2. Renegotiate new leases and renewal leases with a heavy hand.	?		
Total	$475,000		
Property Savings			
N/A The ABC Board does not own property.	$		
Total			
Property Revenue			
N/A			
Total	$		
Fee and Tax Increases			
1. In process of changing discount for wholesale sales from 10% to 5%.	$3,000,000		
2. Restructure license fees for licenses issued by the Board (currently no fee for tobacco sales permits).	?		
Total:	$3,000,000		
	Grand Total:		**$3,475,000**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Ethics Commission

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Put Statement of economic Interests form on website for employing entities to access, complete, and submit to the Commission.	?		
Total	$		
Property Savings			
N/A			
Total	$		
Property Revenue			
N/A			
Total	$		
Fee and Tax Increases			
N/A			
Total:	$		
	Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Finance Department

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Outsource some State services (e.g., printing, motor pool, telephone, mail, and supply).	?		
2. Change Alabama Code Section 41-16-24 which requires Purchasing to "mail" all documents and allow documents to be placed on a website and received via email.	?		
3. Provide new public information on-line instead of providing printed copies.	?		
4. Replace current Purchasing Technology to integrate with current standards, provide more e-government services, be more flexible and adaptive to expanding requirements, and change design toward industry standards rather than Alabama requirements.	?		
5. Raise agency spending authority from $500 to $750-$1,000 .	?		
6. Institute biennial budgeting to provide loner-range planning within departmental programs.	?		
7. Continue to support the initiative within the Comptroller's Office to (1) maximize direct, electronic deposits of State employee salaries into banks; (2) maximize electronic payments of all kinds to vendors; (3) get vendors to send electronic data instead of paper; and (4) implement electronic invoicing between State departments/agencies.	?		
8. Implement a centralized State purchasing and inventory system.	?		
9. Institute within the Comptroller's office the ability to make electronic payments to vendors and direct deposits of all State employee paychecks.	?		
10. Establish within State Purchasing the criteria to allow individual departments/agencies to take advantage of best-price purchasing.	?		
11. Raise State competitive bid limit from $7,500 to $10--$15,000 in order to save significant administrative costs expended by State Purchasing in executing the bid process.	?		
12. Give State Purchasing authority to take advantage of best-price purchasing of supplies offered through national multi-State purchasing consortiums.	?		
13. Institute a full electronic purchasing process between the State Purchasing and vendors to realize significant savings in postage and paper.	?		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

Cost Reduction/Savings Amount	Net Savings	Running Total
Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Public Service Commission

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Give PSC new/expanded authority (e.g., authority over municipal and cooperative utilities and wireless communications).	?		
2. Streamline state purchasing procedures.	?		
3. Move transportation enforcement function to Public Safety.	?		
Total	$		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
1. Establish a fee for accessing detailed commission records.	?		
2. Establish a fee for copying.	?		
3. Establish a $500 filing fee on applications filed for a Certificate of Public Convenience and Necessity.	?		
4. Increase by $1.00 each of the Supervision and Inspection fees charged to jurisdictional taxpayers under Code 37-2-41 and 34-4-23.	$4,900,000		
5. Implement a tariff application project to reduce costs within the agency.	?		
6. Give commission authority to impose fines for quality of service violations.	?		
Total:	$4,900,000		
	Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Public Service Commission

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Give PSC new/expanded authority (e.g., authority over municipal and cooperative utilities and wireless communications).	?		
2. Streamline state purchasing procedures.	?		
3. Move transportation enforcement function to Public Safety.	?		
Total	$		
Property Savings			
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
1. Establish a fee for accessing detailed commission records.	?		
2. Establish a fee for copying.	?		
3. Establish a $500 filing fee on applications filed for a Certificate of Public Convenience and Necessity.	?		
4. Increase by $1.00 each of the Supervision and Inspection fees charged to jurisdictional taxpayers under Code 37-2-41 and 34-4-23.	$4,900,000		
5. Implement a tariff application project to reduce costs within the agency.	?		
6. Give commission authority to impose fines for quality of service violations.	?		
Total:	$4,900,000		
	Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Revenue Department

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Turn over the function of land sales to the counties.	$600,000		
2. Eliminate the requirement to use certified mail on state final tax assessments and collection letters.	$800,000		
3. Require taxpayers to pay costs associated with the federal refund offset program.	$300,000		
4. Charge taxpayers a 20 percent cost of collection fee to cover expenses associated with the pursuit of delinquent taxes. (Adds estimated $10 million to ADOR's annual budget).	$10,000,000		
5. Lower the electronic funds transfer filing threshold from the current $25,000 threshold to $1,000. (Reduces costs of payment processing and increases interest income)	?		
6. The ADOR is embarking on various technological initiatives that will produce significant savings in various administrative and operational costs (i.e., ADOR's new business tax paperless filing program). First phase—sales, use, lodgings, and rental taxes—implemented Nov. 1, 2003.	?		
7. Move toward joint taxpayer audits among state, county, and municipal taxing authorities. (The joint audit program was originally part of the failed Streamlined Sales Tax legislation introduced during the 2003 Regular Session.)	?		
8. Close Taxpayer Service Centers where necessary.	?		
9. Acquire Data Warehouse technology to provide integrated audit support functions and a decision support system. Data Warehouse technology can better identify non-filers, non-compliant taxpayers, and fraud as well as better identify productive audit cases, non-filers, and non-registrants (identify more people who are not on the tax rolls and *"close the tax gap."*).	?		
10. Revise state purchasing requirements and laws to allow state agencies flexibility in taking advantage of leasing options, rebates, etc., that under current procedures agencies are not allowed to do.	?		
11. Establish a Motor Vehicle Department and relieve ADOR and Department of Public Safety of involvement in motor vehicle registrations, licensing, titling, driver education, driver testing, mandatory liability insurance, etc.	?		
Total	**$11,700,000**		

Property Savings

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
n/a	$		
Total			
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
1. Review ADOR's current fee schedule (fees set by regulation for various costs associated with the issuance of certificates of good standing, administrative actions, public information requests, etc.) to determine whether the current fee structure accurately covers related administrative and operational costs.	?		
Total:	$		
	Grand Total:		**$11,700,000**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

State Auditor

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Strict legislation regarding personal accountability and financial responsibility (e.g., "You Lose, You Pay") for missing state property.	?		
2. Purchase supplies and equipment from retail stores instead of central supply.	?		
Total	$		
Property Savings			
N/A	$		
Total			
Property Revenue			
N/A			
Total	$		
Fee and Tax Increases			
Charge other agencies for the use of our property inventory services (e.g., Protégé system, staff training, data imports, and depreciation).	?		
Total:	$		
	Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

State Personnel Department

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Cut recruitment trips to colleges and universities whose student population is not primarily African-American.	?		
2. Repeal recent statute authorizing donated leave for maternity.	?		
3. Place a cap on the amount of donated leave that can be given to an individual.	?		
4. Reduce the "mark-up" charged by central mail system for postage, etc.	?		
5. Permission to purchase from vendors who have comparable products but are not on state purchasing list.	?		
6. Institute arbitration agreements as a condition for state employment.	?		
7. The State Personnel Board should establish decision-making criteria to assist department heads in deciding how much donated leave an employee could avail him/herself of for purposes of catastrophic leave.	?		
8. Establish a centralized administrative function to administer all consolidated support functions (e.g., personnel, accounting, legal, purchasing, etc.) for small boards and commissions.	?		
9. Consolidate department/agency lawyers involved in employment and civil rights litigation under the Attorney General's umbrella.	?		
Total	$		
Property Savings			
N/A	$		
Total			
Property Revenue			
N/A			
Total	$		
Fee and Tax Increases			
N/A			
Total:	$		
	Grand Total:		$

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

State Treasurer

These recommendations have been presented by various state agencies, employees, or members of this subcommittee for consideration by the Commission. They are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Revise Code to allow competitive bids on CD/TDOA investment instruments from in-state banks on general fund monies for up to 4 years;	?		
2. Revise Code to allow investment in prime quality commercial paper..	?		
3. Revise Code to allow investment in money market demand deposit accounts.			
4. Require accelerated reporting of unclaimed proceeds from the demutualization of life insurance companies from 5 to 2 years.	$5-7,000,000		
5. Require holders of unclaimed property (e.g., stocks, bonds, other securities) to liquidate such property and remit cash to State.	66,000		
6. Establish efficiency audits with Examiners of Public Accounts or State Auditor to report "excesses" and not just illegalities.	?		
7. Utilize Automated Clearing Houses for vendor payments versus paper warrants.	?		
8. Review state budgeting process.	?		
9. Review earmarking to reduce amount of funds earmarked.	?		
10. Reduce administrative overhead in all departments, agencies, etc. By 10% over a three-year period.	?		
Total	***$5-7,066,000***		
Property Savings			
N/A			
Total	$		
Property Revenue			
N/A			
Total	$		
Fee and Tax Increases			
N/A			
Total:	$		
	Grand Total:	**$5-7,066,000**	

PUBLIC SAFETY
SUBCOMMITTEE OF THE GOVERNOR OF ALABAMA'S
COMMISSION ON EFFICIENCY, CONSOLIDATION, AND FUNDING

REPORT AND RECOMMENDATIONS

On October 23, 2003, Gov. Bob Riley signed an executive order officially creating the Governor's Commission on Efficiency, Consolidation and Funding, a panel designed to find ways for General Fund and other non-education agencies to cope with the ongoing fiscal crisis in state government. The group held its first meeting on Friday, October 24, 2003, at 10:00 a.m. in the Archives Room of the State Capitol Building. In order to conduct the comprehensive study, the commission members will were divided into five separate sub-committees tasked with examining the areas of Government Operations and Accountability, Environment and Natural Resources, Public Safety, Commerce, and Health and Human Services.

The Public Safety Sub-committee is providing the following recommendations to reduce costs, improve efficiency, and to increase funding resources for these critical governmental services. All but one public safety agency are considered critical services. The non-essential public safety agency is the Sentencing Institute, and it is recommended that funding be discontinued for this agency. Recommendations include consolidation measures, improved coordination of efforts, the call for reductions in personnel, encourage outsourcing where feasible, propose the selling and leasing of state properties, provide for alternative sentencing measures, and look for both short term and long term efficiencies.

It must, however, be understood that while the sub-committee, with the cooperation of public safety agencies, is providing various cost reduction recommendations, it is realized that public safety departments have been, and are presently, seriously under funded. Public testimony heard by the sub-committee clearly indicated the crises these agencies face individually and collectively and their need for additional funding.

The sub-committee would also like to recognize the efforts our Public Safety departments to economize and to provide the highest level of services possible under the funding constraints they have been subjected to for years. However, in an effort to help the state meet the present critical funding shortfall the following recommendations are provided. It is imperative, however, that the state appropriate funds, in the future, at a proper level to ensure the safety of Alabama citizens.

The Commission was also charged with discovering funding alternatives for State government. Without additional funding our state public safety agencies will not be in a position to adequately protect the citizens of Alabama. It is, therefore, strongly encouraged that the following funding options be seriously considered in an effort to adequately fund these agencies. Various cost cutting efforts will reduce waste; however, these savings will be wholly insufficient to address the pressing problem of adequate public safety needs. The implementation of cost savings should be accompanied, as quickly as possible, with additional funding to meet the legitimate needs of public safety.

MEMBERS OF THE PUBLIC SAFETY SUBCOMMITTEE

Mike Bolin (Chairman)
Probate Judge, Jefferson County

Richard Allen
Office of the Attorney General

James Dupree
Former Director, Department of Youth Services

Ed Garner
Former Director, Alabama Department of Economic and Community Affairs

Joe Ritch
Attorney, Sirote & Permutt

Buddy Sharpless
Executive Director, Association of County Commissioners

Tommie Taylor
Pruitt and Pruitt

C. C. "Bo" Torbert
Former Chief Justice, Alabama Supreme Court

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

State Military Department

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Do not enact any legislation that will incur additional obligations to any agency without the supporting funding.	?		
2. Issue five 15 year bonds ($3M each) over five years; one series issued each Fiscal Year to reduce the $15M backlog of maintenance on Armory facilities.	$3,000,000		
3. Increase the Agency's spending authority for emergency purchases to $1500 (from $500) to reduce time obligated for procuring quotes, reducing telephone expense, reducing copy costs, and reducing document delivery fees.	?		
4. Increase the annual funding limit on "per vendor" spending to $12,000 annually (from $7,500).	?		
5. Eliminate the travel meal allowance for daily per diem.	$15,400		
6. All new armory construction will be sited on federal property or co-tenancy with other DOD agencies, allowing a 25% state construction savings. Estimated savings 2005 through 2013 =$38,000,000. (5x30Mx.25).	$4,750,000		
7. Layoff personnel, effective NOV 1, 2003.	$266,000		
8. Turn-in of seven state vehicles.	$56,714		
9. Reduction in various contracts, leases, and services.	$40,000		
10. Additional layoff of (15) personnel in FY 2005.	$400,000		
Total	**$8,471,400**		
Property Savings			
1. Close the Anniston Armory.	$86,500		
2. Close the Anniston Bldg 1368.	$15,000		
3. Close the Birmingham (COSCOM).	$70,000		
4. Close the Homewood Armory.	$97,200		
5. Close the Jacksonville Armory.	$212100		
6. Close the Lineville Armory.	$62,000		
7. Close the Mobile Armory (Springhill).	$132,100		
11. Close ten additional armories	$1,260,227		
Total	**$1,935,127**		**$ 10,406,527**
Property Revenue			
1. Sell the Aliceville Armory.	$77,500		
2. Sell the Berry Armory.	$168,000		
3. Sell the Bridgeport Armory.	$126,000		
4. Sell the Butler Armory.	$130,000		
5. Sell the Carbon Hill Armory.	$127,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
6. Sell the Eufaula Armory.	$120,400		
7. Sell the Georgiana Armory.	$163,700		
8. Sell the Greensboro Armory.	$116,200		
9. Sell the Greenville Armory.	$120,300		
10. Sell the Guin Armory.	$156,500		
11. Sell the Headland Armory.	$212,800		
12. Sell the Millport Armory.	$190,100		
13. Sell the Sulligent.	$130,200		
14. Sell the Roanoke Armory.	$122,200		
15. Sell the Opp Armory.	$136,700		
Total	**$2,097,600**		**$ 12,504,127**

Fee and Tax Increases

1. Recalculate fee ($164 per employee) owed to State Personnel based on Agency employee density at beginning of Fiscal Year only.	$4,100		
Total:	**$ 4,100**		***$12,508,227***

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Board of Pardons and Paroles

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Fund the implementation of five regional transition centers to be operated by the Alabama Board of Pardons and Paroles. • Ireland Developmental Center, Tarrant, Alabama (Near Birmingham), 400 beds available immediately to start renovation; • Thomasville Rehabilitation Center, Thomasville, Alabama, 150 beds, October 30, 2003; • Wallace Developmental Center, Decatur, Alabama, 600 beds, December 30,2003; • Tarwater Developmental Center, Wetumpka, Alabama, 400 beds, February 15,2004; and • Brewer-Bayside Developmental Center, Daphne, Alabama, 150 beds April 15, 2004.	$3,214,190		
2. Eliminate drug testing. This will not adversely affect the Board's federal grants, but it may jeopardize other agencies' federal funding. This will destroy any capacity for early intervention in drug abuse.	$112,500		
3. Eliminate electronic monitoring.	$2,400		
4. Eliminate assignment of State vehicles. Due to the potential liability of transporting prisoners in private vehicles, the cut will result in no after-hours arrests. Officers will experience lengthy time lags in response to after-hours crisis situations.	$40,000		
5. Disconnect all data phones. Officer safety will not be an issue because officers will not be working out in the community. However, long distance charges will increase since most of our long distance calls are between offices.	$246,672		
6. Discontinue all department-sponsored training. APOST requires 12 hours of continuing education per officer per year to maintain law-enforcement certification.	$81,500		
7. Do not replace irreparable vehicles.	$500,000		
8. Do not replace irreparable and obsolete office furniture and equipment.	$330,000		
9. No authorized out-of-state travel.	$20,000		
10. Restrict in-state travel.	$170,000		
11. Decrease the usage of State vehicles because of decreased fieldwork.	$316,000		
12. Terminate inter-agency agreements for personnel effective 10/1/04.	$215,287		
13. Terminate retired state employees effective 101/1/04.	$135,639		
14. Terminate temporary employees effective 10/1/04.	$97,030		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
15. Terminate all employees outside the merit system.			
16. Repeal portion of Act 2003-415 relating to Board expansion of 4 members and related staff. Terminate affected staff effective 10/1/04. Abolition of the expanded Board will result in an estimated decrease of 400 inmates per month released to parole.	$5,033,771		
17. Follow lay-off schedule as determined by State Personnel effective 10/1/04. Without consideration of the related separation costs, we estimate terminating 72 Probation & Parole Officers and 70 clerical support staff. A conservative estimate of the impact of separation costs doubles the number of employees terminated.	$6,772,778		
18. Due to labor shortage, repeal portion of Act 2003-415 requiring the Board to investigate cases for certification of voter registration eligibility.			
Total	**$17,287,767**		
Property Savings			
1. Consolidate offices to one in each district. There are presently fifty-six offices in nine districts.	$208,624		
2. Seek release from all office leases for spaces no longer used including the new Central Office space at 301 S. Ripley.	$785,213		
Total	**$993,837**		**$ 993,837**
Property Revenue			
Total	**$**		
Fee and Tax Increases			
Total:	**$**		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Criminal Justice Information Center

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Initiate new legislation to authorize Alabama to become a Brady state; i.e., NICS (national instant background check program for gun purchases) would increase revenues and provide additional funding support to implement more efficient and less costly applications/platforms. Process would further enhance data collection at national levels for improved law enforcement officer and general public safety.	$50,000		
2. Initiate new legislation to distribute certain network expenses among all network users.	?		
3. Relocate office space. No immediate savings would be evident for 1-2 years	?		
4. Further centralize training, if achievable, could reduce travel expenses but would directly negatively impact the financial resources and abilities of numerous small law enforcement agencies to send officers to trainings. Such negative impact would affect not only the safety of the law enforcement officer on the street, but the general public as well.	?		
5. Electronic training and/or possible videoconferencing would reduce travel expenses.	$25,000		
6. Convert training materials into PDF formats.	$10,000		
7. Do not accept anything but electronic UCR data submission, C3I1cel IX>C contract and lay off one person.	$40,000		
8. Reduce telecommunications dedicated lines and move to XML services for data access/delivery. Would require support of Department of Finance and ISD, and involve possible disadvantages as to data reliability.	?		
9. Electronic submission of all UCR data would eventually end paper incident/ offenses reporting and editing.	$102,500		
10. Move "hot files" off the mainframe and onto the ACJI C message switch. Would reduce IMS charges from the Department of Finance, ISD.	$250,000		
11. Recommend the Information Services division of the Department of Finance assume responsibility for the coordination of the installation and billing for local network telecommunications connectivity.	$30,000		
Total	**$0**		

Property Savings

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
n/a			
Total	$0		
Property Revenue			
n/a			
Total	$		$
Fee and Tax Increases			
1. Increase existing legislation on criminal history processing fees due to significant increases in network activities at criminal level.	?		
2. Initiate new legislation to include ACJIC in collection of civil and felony court docket fees, due to significant increases in network activity.	?		
3. Increase the criminal history processing fee by $5 on convictions in municipal, district, and circuit courts.	$350,000		
4. Add $5 - $10 for ACJIC to civil and felony court docket fees.	$150,000		
5. Include ACJIC in background check fee collected.	?		
6. Modify statute to allow ACJIC to retain $25 fees on individual challenges of criminal history records.	?		
Total:	$		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Department of Corrections

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Amend State Bid Law (14-16-21) to allow the purchases of products made by ADOC's Correctional Industries exempt from the State Bid Law.	?		
2. Amend the Prison Made Goods Act (14-7-13) to allow non-profit organizations in Alabama to purchase directly from the Correctional Industries.	?		
3. Amend the Prison Made Goods Act (14-7-13 through 23) to authorize Prison Industry Enhancement Certificate Program from Correctional Industries	?		
4. Amend the Code establishing the Legislative Oversight Committee for Specialty License Plates (32-6-67) –Delete (d) (1) to allow ADOC to manufacture and distribute for sale out-of-state college tags.	?		
5. Consolidate some state printing services under ADOC. ADOC's prison industries printing services utilizing inmate labor could reduce some printing costs for state government.	?		
6. Allow ADOC to contract with local communities to house state inmates in county jails. Contracts would be for a sum lower than the state's average daily cost for incarcerating a state inmate. Savings to the ADOC undetermined. Revenue would be generated for counties.	?		
7. Build new personnel-efficient facilities that are larger enabling ADOC to consolidate some operations closing smaller, older, overcrowded, less efficient facilities. Undetermined potential utility cost savings, repair and maintenance reductions, and possibly staff cost savings.	?		
8. Replace and/or consolidate some Work Release Centers. Savings would be derived from the reduced transportation and administrative costs.	?		
9. Increase funding for Community corrections. Average daily cost of a non-violent offender in a state prison is $27 per day, compared to the same non-violent offender placed in a community corrections program at a rate of $5-15 per day. ADOC's current budgeted amount for these programs is insufficient. An adequate budget would allow more non-violent offenders to be placed in community punishment programs and reduce the "In-house" ADOC inmate population.	?		
10. Continue to increase the release of eligible non-violent offenders to parole in order to decrease the inmate population.	?		
11. Re-engineer the inmate trust fund accounting system.	?		
Total	$		

Property Savings

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
Close the Gunter Training Facility- Montgomery County.	?		
Total	**$**		

Property Revenue

1. Sell the Gunter Training Facility property of one acre in Montgomery County.	?
2. Sell the Wetumpka properties of 30 acres in Elmore County. These are residences and idle land.	$300,000
3. Sell the ADEM-old EPA site of 11 acres with offices in Montgomery County.	$150,000
4. Sell the Draper-Old landfill site-Elmore County-153 acres-hayland & timber	$60,000
5. Sell the Draper-Speigner Fields-Elmore County-56 acres-cropland	$75,000
6. Sell the Fountain, NE, Sect 2-Escambia County-280 acres-hayland/timber	$350,000
7. Sell the Frank Lee Youth Center-Elmore County-100 acres-cutover timber	$150,000
8. Sell the Fraquhar State Cattle Ranch-wswamp-Hale County of 540 acres of timber/conservation easement.	$500,000
9. Sell the Tutwiler, north-Elmore County-130 acres-cutover timber.	$70,000
10. Sell the Donaldson-Jefferson County of 200 acres of timberland.	$100,000
11. Sell the Fountain of 190 acres of timberland in Section 22 South of I65-Escambia County.	$600,000
12. Sell St. Clair in St. Clair County that has 250 acres of timberland.	$375,000
13. Sell the Fountain of 1460 acres of timber & pastureland in Section 20-22 of Escambia County.	$2,600,000
14. Sell the Farquhar State Cattle Ranch of 280 acres of timberland in the wildwoods of Hale County.	$460,000
15. Sell Draper- West of County Road 3 in Elmore County with 340 acres of pasture & timberland.	$2,400,000
16. Sell the Fountain-Holman corner of 480 acres of pasture & timberland in Escambia County.	$850,000
Total	**$9,040,000**

Fee and Tax Increases

n/a

Total: **$**

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Department of Forensic Science

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

Cost Savings

	Cost Reduction/Savings Amount	Net Savings	Running Total
1. Triage cases. Work only those cases that can be prosecuted.	?		
2. Do not submit evidence for analysis (particularly drug cases) until plea is entered.	?		
3. Limit the number of items of evidence analyzed.	?		
4. Do not submit evidence to laboratory on deferred prosecutions.	$ 100,000		
5. Consolidate services at larger regional laboratories. This could only be achieved after opening of the new Montgomery and Hoover facilities.	$ 212,500		
6. Limit law enforcement status of new employees entering agency, gradually eliminating subsistence pay. Elimination of law enforcement status would be a long-term savings and would make recruitment of better scientists difficult because subsistence payments of $12 per day have been used to supplement lower starting salaries of state employees as compared to the private sector.	$ 275,000		
7. Initiate four day work week for laboratory employees subsistence pay & utilities.	$ 72,000		
8. Implement a Laboratory Information Management System (LIMS) to provide totally paperless system to save paper and mailing costs.	?		
9. Supplies – Triage cases and items per case analyzed.	?		
10. Allow departments with scientific instruments and equipment to trade-in old, out-dated instruments for new state-of-art instruments. Instrument manufacturers routinely offer $3,000 - $5,000 four trade-ins on scientific instruments. State law does not allow agencies to take advantage of trade-in incentives. Instead, old scientific instruments are turned in to Surplus Property where they are sold for scrap metal or precious metals for less than $100.	?		
11. Eliminate body transport, vehicles and personnel associated with this service.	$ 350,000		
12. Totally eliminate the death investigation services by ADFS and place this service with the Department of Public Health or two state medical schools.	$ 4,500,000		
13. Transfer the death investigation section to the two state medical schools or the Department of Public Health.	$5,200,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
14. Reduce personnel up to 75-80 positions in order to meet 56% reduction in budget. Unemployment compensation benefits would have to be made to terminated employees resulting in possible further staff reductions. Elimination of 75-80 positions will virtually slow scientific analysis of cases to a halt, jeopardize federal grant revenues, and seriously delay court trials and issuing of death certificates. Delay of trials means that cases may be lost and delayed issuance of death certificates means that families must wait to obtain death insurance benefits and settlement of estates.	$3,900,000		
Total	**$14,609,500**		
Property Savings			
1. Close Florence Laboratory.	$ 19,395		
2. Close the Tuscaloosa Laboratory.	$ 83,000		
3. Close the Jacksonville Laboratory.	$ 17,751		
4. Close the Dothan Laboratory.	$ 78,393		
Total	**$198,539**	**$ 14,808,039**	
Property Revenue			
n/a			
Total			
Fee and Tax Increases			
1. Increase $2.00 fee collected for DNA Fund to $10.00 Amount needed for general fund revenues could be reduced. Increase funds to DNA program to reduce backlogs and maintain caseloads. Reduce general fund requirement by $500,000 and increase revenue to DNA program.	$ 7,200,000		
2. Assess a restitution fee to ADFS on guilty pleas (drug cases, burglary involving DNA analysis). Increase income to ADFS thus reducing general fund requirements.	$ 500,000		
3. Add a fee of $5.00 on all court cases to go to Forensic Services Fund.	$ 4,250,000		
4. Eliminate Medical Examiner laws in Tuscaloosa, Escambia, and Mobile counties. Elimination of the services would mean that the state goes backward in its investigation of cause and manner of death in these three counties.	$ 350,000		
5. Implement a tax on alcohol with a portion of the revenue designated for law enforcement agencies.	?		
6. Increase the fee of certified copies of the reports of analysis provided to attorneys, insurance companies, and interested parties to $ 20.00 per copy with the proceed remaining with ADFS to offset personnel, paper and postage costs.	$ 60,000		
7. Add a fee for services charged to continue the transportation of bodies. This could be difficult to enforce and possibly create an accounting nightmare.	?		
8. Charge cities and counties fees for services.	?		
9. Funding to ISD (Finance Dept) – Personal Cost -Comptroller Office eliminated.	?		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
10. Business Council of Alabama should designate a portion of dues to law enforcement and insurances companies should contribute to law enforcement to offset costs of investigation and analysis.	?		
Total:	$ 12,360,000		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Department of Public Safety

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Eliminate longevity payments.	$ 454,700		
2. Eliminate subsistence payments.	$ 2,141,183		
3. Eliminate Trooper Class of 100 FY 2004-A.	$ 2,155,444		
4. Eliminate ABI. Transfer to other agencies, or lay off personnel.	$ 9,178,367		
5. Lay off Capitol Police and Radio operators.	$ 1,288,596		
6. Reduce subsistence and associated benefits costs.	$ 476,624		
7. Lay off 73% of Communications Engineering's personnel.	$1,107,452		
8. Lay off 95% of Fleet Management's personnel.	$1,331,174		
9. Close the Aviation unit and layoff all personnel.	$996,094		
10. Lay off 2/3 of all non-arresting personnel in the Administration Department/Division Administration area.	$1,607,999		
11. Lay off 75% total non-arresting personnel, including information services, data entry operators, driver license specialists in the Administration/Drive License area.	$ 3,034,672		
12. Lay off arresting officers until savings reach.	$3,593,119		
13. Lay off 54% of non-arresting personnel in the police services and highway patrol area.	$ 2, 906,347		
14. Eliminate additional 10 days annual leave payment to law enforcement personnel.	$ 631,000		
15. Rescind the last 5% COLA raise.	$ 2,267,713		
16. Eliminate protective services for previous governors and their families.	?		
17. Revise protective security laws to cover the Governor only, unless a life has been threatened.	$ 500,000		
18. Consistent capital improvement. Routine maintenance would save on the enormous repair and maintenance costs when emergencies occur.	?		
19. Restrict mileage on patrol cars.	?		
20. Highway Patrol troopers post should be put under Armories, or Department of Transportation District Offices.	?		
21. Eliminate dress blouse uniform (approximately $500 each).	?		
22. Totally eliminate the death investigation services by ADFS and place this service with the Department of Public Health or two state medical schools (not mentioned in the questionnaire).	?		
23. State agencies should be allowed to buy cheaper goods than having to use state contracts, i.e. office supplies, uniforms, vests, etc. (Several thousands saved).	?		
24. Eliminate Medical Examiner laws in Tuscaloosa and Mobile counties.	?		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
Total	$37,641,137		

Property Savings

1. Close Old Evergreen Post, Evergreen Alabama.	?		
2. Close all Driver License locations but Sumiton, Mobile, Dothan, Montgomery, Tuscaloosa, Huntsville, and Birmingham. Lay off 91% of driver license examiners.	$5,730,369		
3. Close Trooper Posts in Hamilton, Alex City.	?		
4. Close Alabama Criminal Justice Training Academy in Selma and lay off personnel.	$1,684,540		
5. Leave open the following Driver License locations: Quad Cities, Huntsville, Jacksonville, Birmingham, Tuscaloosa, Montgomery, Opelika, Dothan, Evergreen, Mobile, Troy, and Sumiton.	$ 220,000		
Total	**$7,634,909**		**$ 38,399,046**

Property Revenue

1. Sell Old Evergreen Post, Evergreen Alabama.	$ 12,000		
2. Sell seized property located on Chapelle Street, Montgomery, Alabama.	$ 19,000		
Total	**$131,000**		**$ 131,000**

Fee and Tax Increases

1. Increase the fines for minor traffic violations by $20, and designating the increase.	$ 3,716,400		
2. Increase the fines for major traffic violations (i.e.: driving while license suspended or revoked, driving under influence, fleeing or attempting to elude, etc, by $ 100.00).	$ 5,114,900		
3. Institute an administrative fine schedule for intrastate commercial vehicle operators who are habitually found in violation of the Federal Motor Carrier Safety Regulations and Alabama law regarding size and weight.	$ 100,000		
4. Add a tire tax.	?		
5. Dedicate a sufficient portion of the fees or taxes relating to use, etc, of vehicles and fuels used for vehicles.	?		
6. Implement a fee for copies of reports generated by Capitol Police (Ex. Private property accident forms).	?		
7. Increase fees for photos and videos.	?		
8. Charge for Aviation services.	?		
9. Eliminate dignitary flights.	?		
10. Increase police academy fees.	?		
11. Increase CDL application fee to $25.	$ 803,580		
12. Add a CDL skills re-test fee of $20.	$ 201,860		
13. Add a CDL skills re-test fee of $15.	?		
14. Charge a $10 administrative filing fee for each driver license hearing requested $21,840	$ 21,840		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

	Cost Reduction/Savings Amount	Net Savings	Running Total
15. Charge $1 for a paper copy of Driving Manual (It's available free on the Internet.).	$ 50,000		
16. Charge $5 for a copy of the CDL Manual.	$ 250,000		
17. Charge $5 for Class D Driver License road test.	$ 190,325		
18. Increase MVR fee from $5.75 to $15.	$ 16,410,388		
19. Add a $.10 per month fee on cell phone bill.	?		
Total:	$ 26,859,293		*$26,990,293*

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Department of Youth Services

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Contract placements for committed youth.	$5,957,166		
2. Local Boot Camp Program Subsidies.	$4,275,000		
3. Community Juvenile Detention Centers.	$6,260,963		
4. The Youth Services Community Education program will be eliminated in the 2005 fiscal year.	?		
5. DYS should further cooperate with the Administrative Office of Courts to explore the use of video conferencing technology for some juvenile court hearings. (This video conferencing initiative would require the legislative change of the State's juvenile code.) DYS and the County Sheriff's Departments are constantly transporting youth between DYS facilities and local courts. This amount of money could be saved only if this technology were implemented.	$ 250,000		
Total	**$16,743,129**		
Property Savings			
1. Close Jemison Group Home.	?		
Total	**$**		**$ 16,743,129**
Property Revenue			
1. Sell Birmingham lots – site of former group home which burned.	$ 17,500		
2. Sell Jemison Group Home.	$ 615,000		
Total	**$632,500**		**$ 632,500**
Fee and Tax Increases			
1. Juvenile court should make efforts to collect restitution for victims of juvenile crime.	?		
Total:	**$**		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Alabama Emergency Management Agency

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Decentralize the State Personnel functions for each agency/department.	?		
2. Reduce state costs by shifting the matching burden to the local government for the Public Assistance Program. The State and Local matches for Public Assistance must combine to equal 25% of the total cost. Currently, the State pays 10% and the Local pays 15%. The Governor has the authority to make this shift.	?		
3. Create a statewide oversight for Geographical Information Systems (GIS) development and standardization to eliminate redundant development.	?		
4. Explore technology to consolidate data and voice communications.	?		
5. Automate signatures to special forms through current technology.	?		
6. Consolidate statewide telecommunications networks with Alabama Supercomputer Authority (ASC) and State Telecommunications – Finance Department (ISD).	?		
Total	$0		
Property Savings			
n/a			
Total	$		$
Property Revenue			
n/a			
Total	$		$
Fee and Tax Increases			
1. Assess fees through the insurance industry that would be directed towards emergency management functions.	?		
Total:	$		

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

Office of Attorney General

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
1. Eliminate the White Collar Crime Division.	$581,995		
2. Eliminate the Violent Crimes Division.	$755,390		
3. Eliminate the Investigations Division.	$1,394,397		
4. Eliminate the Medicaid Fraud Division.	$842,862		
5. Eliminate the Constitutional Defense Division.	$550,245		
6. Eliminate the General Civil Litigation Division.	$1,960,440		
7. Eliminate the Administrative Hearings Division.	$517,678		
8. Eliminate the Welfare Fraud Division.	$436,213		
9. Eliminate the Environmental Division.	$477,566		
Total	***$7,516,786***		
Property Savings			
n/a			
Total	$		$7,516,786
Property Revenue			
n/a			
Total	$		$7,516,786
Fee and Tax Increases			
1. Assess fees through the insurance industry that would be directed towards emergency management functions.	?		
Total:	$		
	Grand Total:		$7,516,786

Recommendations from State Agencies to the Subcommittee regarding Costs Savings and Revenue Producing Options to be considered

November - December 2003

District Attorneys of Alabama and the Office of Prosecution Services

These recommendations have been presented by various state agencies for consideration by the Commission subcommittees. They are not Commission recommendations and are placed in this format solely for review and consideration purposes.

	Cost Reduction/Savings Amount	Net Savings	Running Total
Cost Savings			
n/a			
Total	$		
Property Savings			
n/a			
Total	$		
Property Revenue			
n/a			
Total	$		
Fee and Tax Increases			
1. Bail Bond Fees	$ 1,000,000		
2. Rolling Paper Tax	$ 500,000		
3. Alcohol Tax	$ 140,000,000		
4. Soft Drink Tax	$ 80,000,000		
Total:	**$221,500,000**		