

THE GOVERNOR'S COMMISSION

ON

EFFICIENCY, CONSOLIDATION, AND FUNDING

FINAL REPORT



MIKE WARREN
CHAIR

BOB RILEY
GOVERNOR

CHARLES MCCRARY
VICE CHAIR

**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, I am pleased to present this report of our findings and recommendations. The report 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.

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. On the other hand however, we firmly believe that if the short term and long term recommendations we have made were implemented, literally tens of millions of dollars could be saved through more efficiency, needed consolidation, better strategic planning and reduced duplication.

The Commission was pleased to serve you in this important work.

Very truly yours,
Wm. Michael Warren, Jr.

Chairman

WMWjr:mp
Enclosure

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.

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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

**BOB RILEY
GOVERNOR**

**MIKE WARREN
CHAIR**

**CHARLES MCCRARY
VICE CHAIR**

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Mike Bolin
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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: Government Operations and Accountability; Environment and Natural Resources; Public Safety; Health & Human Services; and Commerce. 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 not part of the Commission's efforts based on the charge from Governor Riley at the Commission's initial meeting.

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 sub-committee 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 sub-committee chairs. The recommendations are divided between those that could be implemented in the short term and those that are longterm 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 insure 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 state-wide 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 are also 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 (i.e., 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. For example, ALDOT suggests that approximately \$40 million of additional tax revenue could be collected via an aggressive fuel tax collection program. 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 and 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 the reduction of computer operators from twenty-two to ten. 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 monies saved by the efficiency gains 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 born 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 over-all 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 Department of Finance and 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 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.