

Government Operations Appropriations Subcommittee

**Tuesday, February 8, 2011
1:00 PM – 4:00 PM
Morris Hall**

Meeting Packet

**Dean Cannon
Speaker**

**Ed Hooper
Chair**



The Florida House of Representatives
Appropriations Committee
Government Operations Appropriations Subcommittee

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February 8, 2011

AGENDA
1:00 PM – 4:00 PM
Morris Hall

- I. Call to Order/Roll Call**
- II. Department of Management Services**
Introduction of Secretary Jack Miles
- III. Governor's Recommended Budget FY 2011-2012 Presentation**
- IV. Department of Business and Professional Regulation Presentation**
Transfer of the Florida Drug, Device, and Cosmetic Regulatory Program
- V. Department of Financial Services Presentation**
State Risk Management Program
- VI. Adjourn**

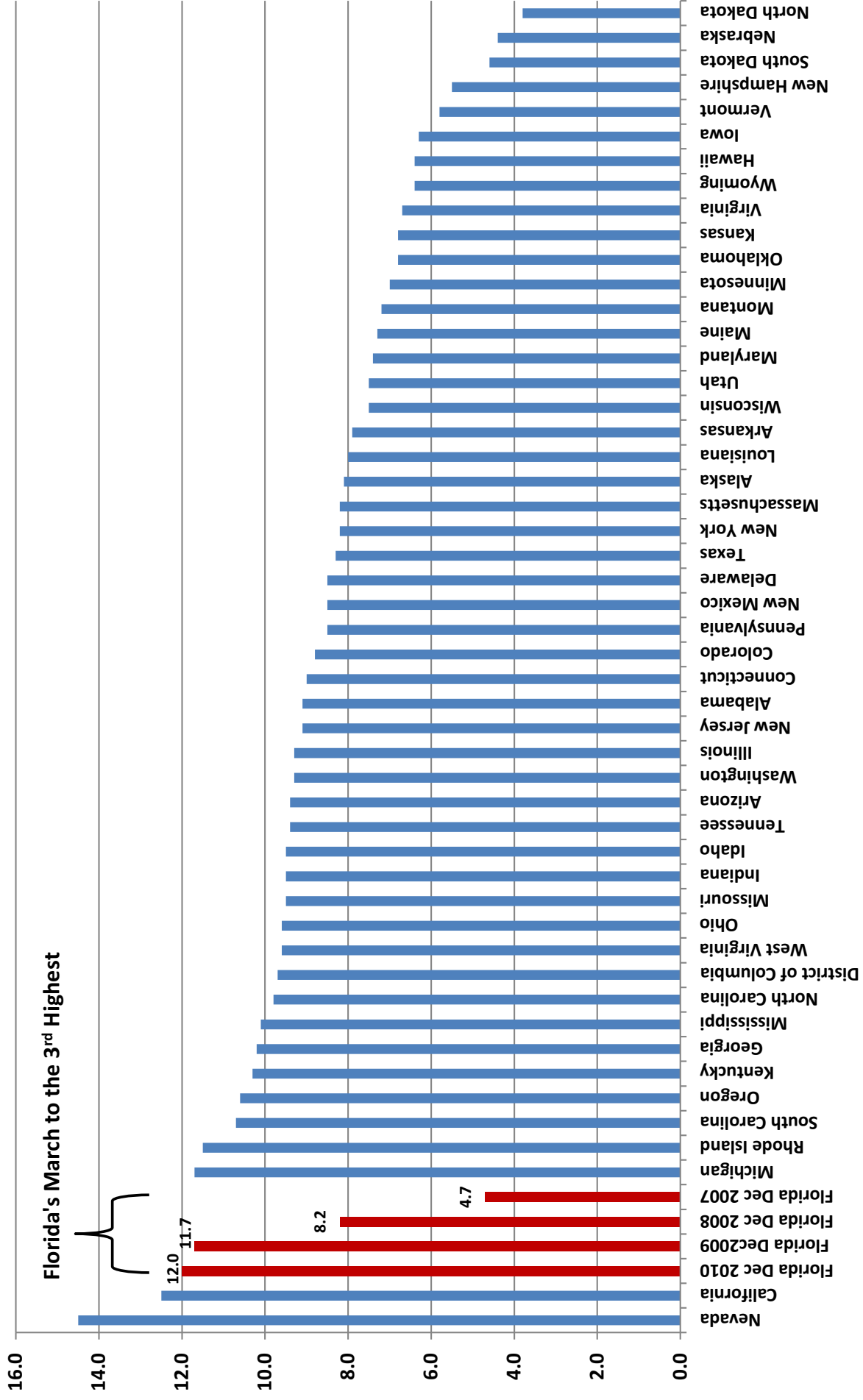
GOVERNOR RICK SCOTT

“Let’s Get to Work”

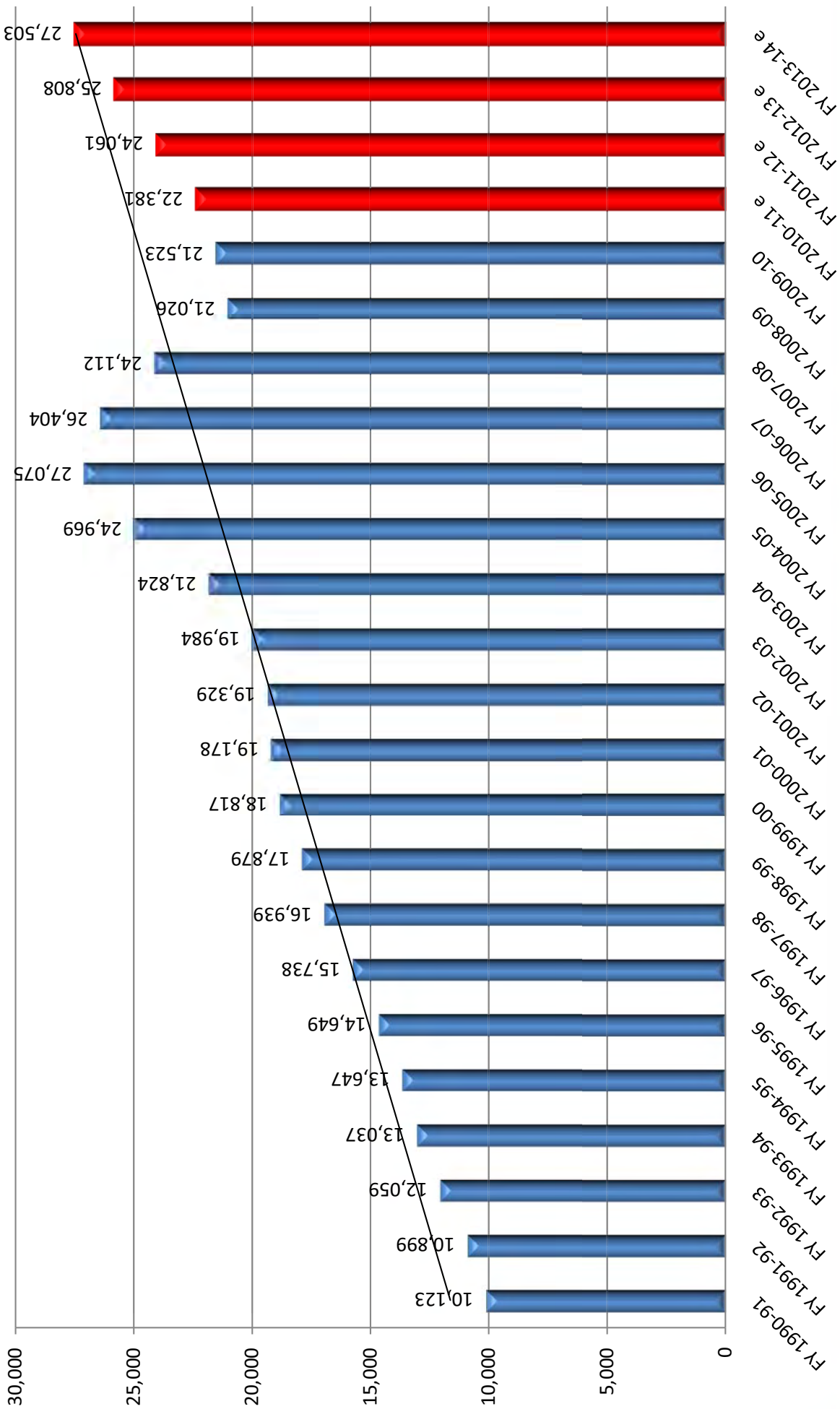


Policy and Budget Recommendations

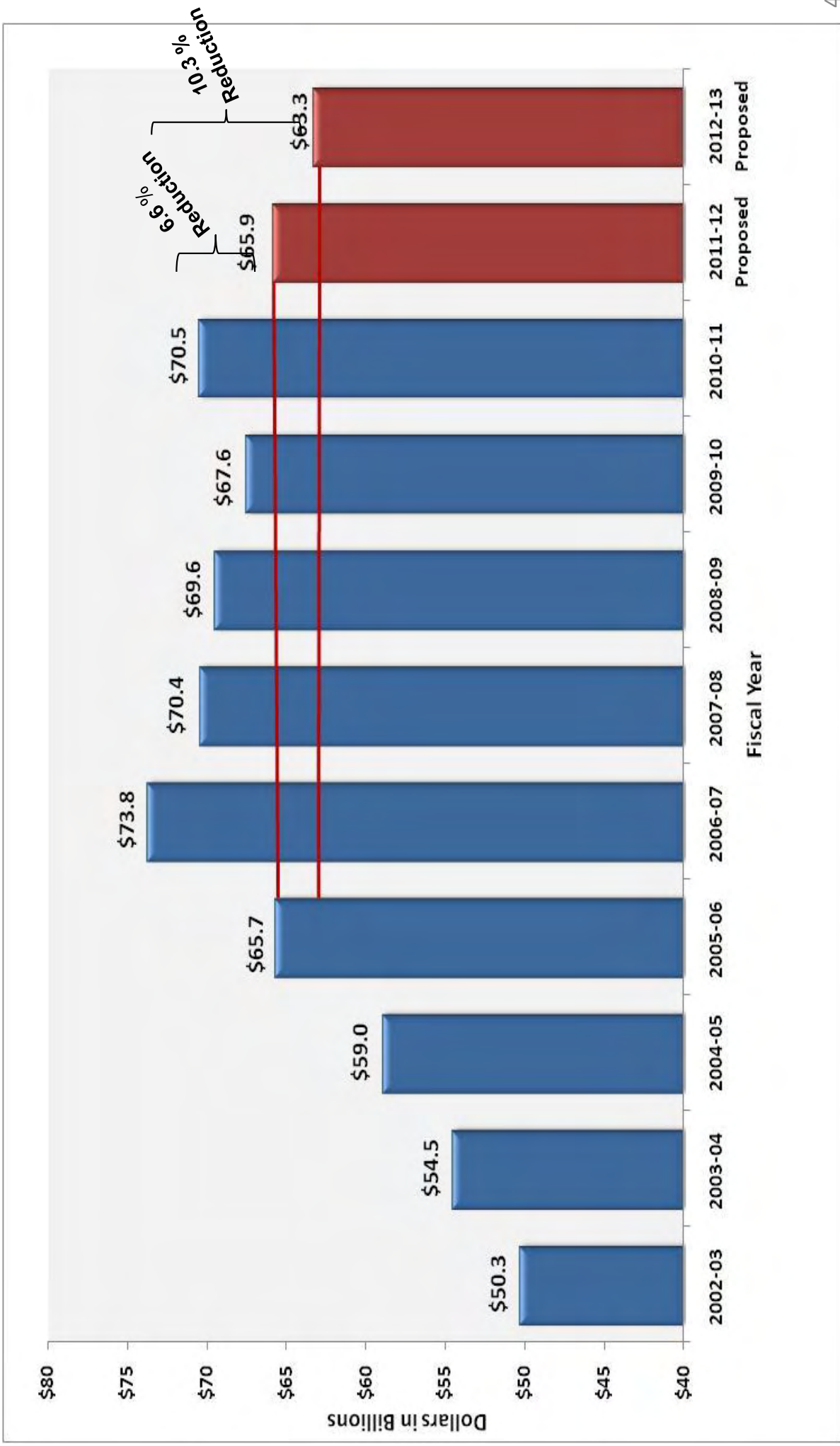
Unemployment Rates for States



General Revenues - December 2010 - REC



History of Appropriations



Governor Scott's Solution

1. Accountability Budgeting

2. Reduce Government Spending

3. Regulatory Reform

4. Focus on Job Growth and Retention

5. World Class Education

6. Reduce Property Taxes

7. Eliminate Florida's Corporate Income Tax



Accountability Budgeting

- A budget aimed at “performance” and “effectiveness” with a focus on “outcomes”;
- A budget focused on “services” rather than dense layers of budget categories;
- A budget with accountability criteria for each line item;
- A budget designed to show the taxpayers what is “behind the budget”;
- A budget with reduced line items from 3,267 to 469.



The New Look

Line Item#	Current		Proposed	
	FISCAL YEAR 2011-12	FISCAL YEAR 2012-13	FISCAL YEAR 2011-12	FISCAL YEAR 2012-13
Program: Security and Institutional Operations				
Adult Male Custody				
Approved Salary Rate	306,951,275			
1 Salaries And Benefits Positions	8,559,000			
From General Revenue Fund	423,634,409			
From Federal Grants Trust Fund	362,845			
2 Other Personal Services				
From General Revenue Fund	4,556,616			
From Grants and Donations Trust Fund	91,000			
3 Expenses				
From General Revenue Fund	27,926,231			
From Federal Grants Trust Fund	216,949			
From Grants and Donations Trust Fund	240,389			
4 Operating Capital Outlay				
From General Revenue Fund	461,538			
From Federal Grants Trust Fund	750,000			
From Grants and Donations Trust Fund	250,000			
5 Food Products				
From General Revenue Fund	28,100,381			
From Federal Grants Trust Fund	83,421			
6 Special Categories				
Contracted Services				
From General Revenue Fund	5,768,142			
From Federal Grants Trust Fund	273,617			
7 Special Categories				
Food Service and Production				
From General Revenue Fund	3,197,891			
From Federal Grants Trust Fund	118,172			
8 Special Categories				
Overtime				
From General Revenue Fund	978,616			
9 Special Categories				
Risk Management Insurance				
From General Revenue Fund	16,452,364			
10 Special Categories				
Salary Incentive Payments				
From General Revenue Fund	6,946,284			
11 Special Categories				
Transfer To Department Of Management Services - Human Resources Services Purchased Per Statewide Contract				
From General Revenue Fund	245,992			
TOTAL: Adult Male Custody				
From General Revenue Fund	518,266,464			
From Trust Funds	2,386,393			
Total Positions	8,559,000			
Total All Funds	520,654,857			
Program: Security and Institutional Operations				
Adult Male Custody Operations				
1 This service provides housing for adult male inmates in secure facilities.				
Adult Male Custody Operations				
From General Revenue Fund			8,291.00	
From Federal Grants Trust Fund	518,268,464			461,294,078
From Grants and Donations Trust Fund	1,805,004			1,805,004
Fund	581,389			527,310
Funds in Specific Appropriation 1 shall be appropriated for security and institutional operations for adult male custody operations. The agency shall maintain critical staffing of facilities and maintain the average per diem at \$42.46 or less.				
TOTAL: Adult Male Custody				
From General Revenue Fund	518,268,464			461,294,078
From Trust Funds	2,386,393			2,332,314
Total Positions	8,559,000		8,291.00	463,626,392
Total All Funds	520,654,857			

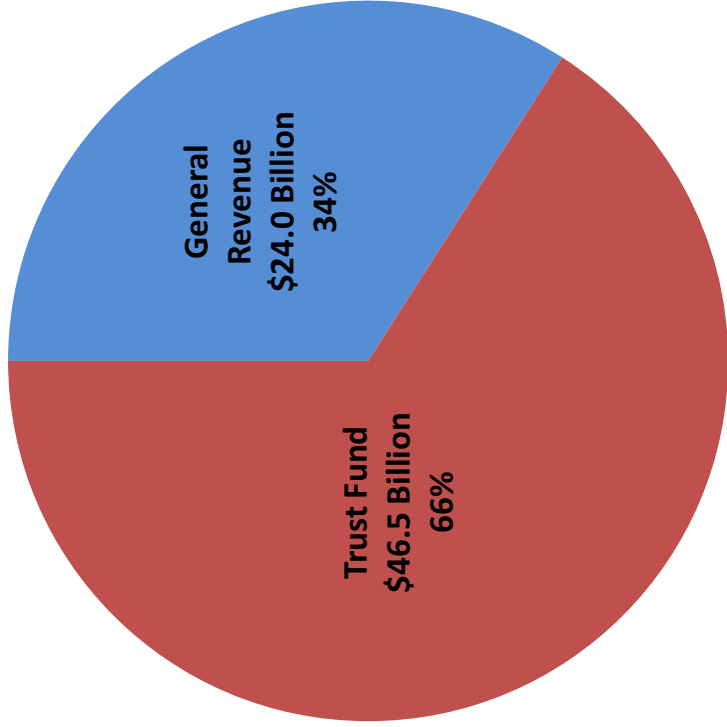
GUIDING PRINCIPLES

- Should government perform this function?
- Is this a core function of the agency?
- Avoid duplication with other agencies, the locals and the feds;
- Eliminate mission creep;
- Consolidate/merge similar functions, when appropriate;
- Eliminate non-core functions;
- Eliminate trust funds, where appropriate.

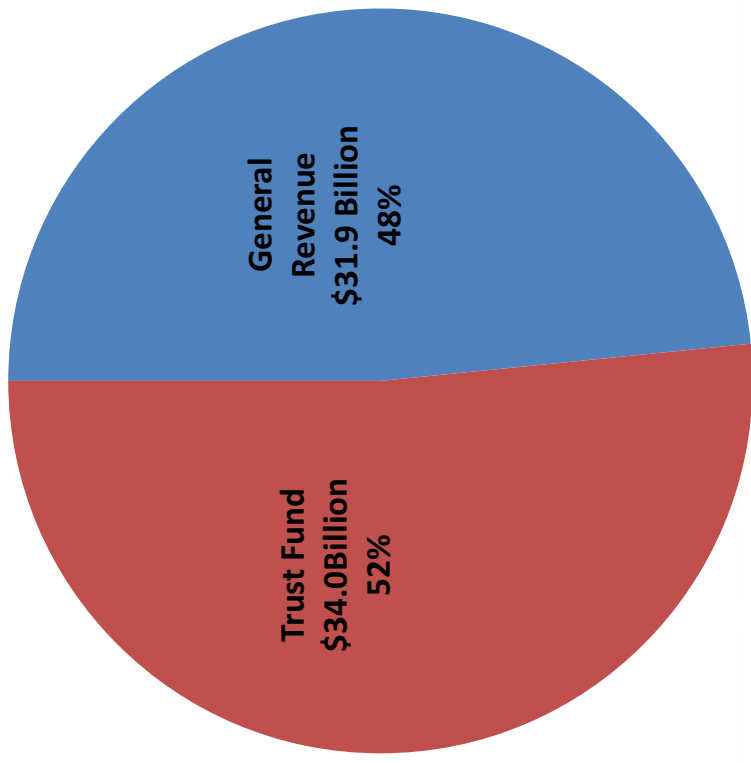


Trust Fund Consolidation Competing for General Revenue

Current
Total \$70.5 Billion



Proposed for 2011-12
Total \$65.9 Billion



Reductions for Fiscal Year 2011-12

Excluding State Pension Savings

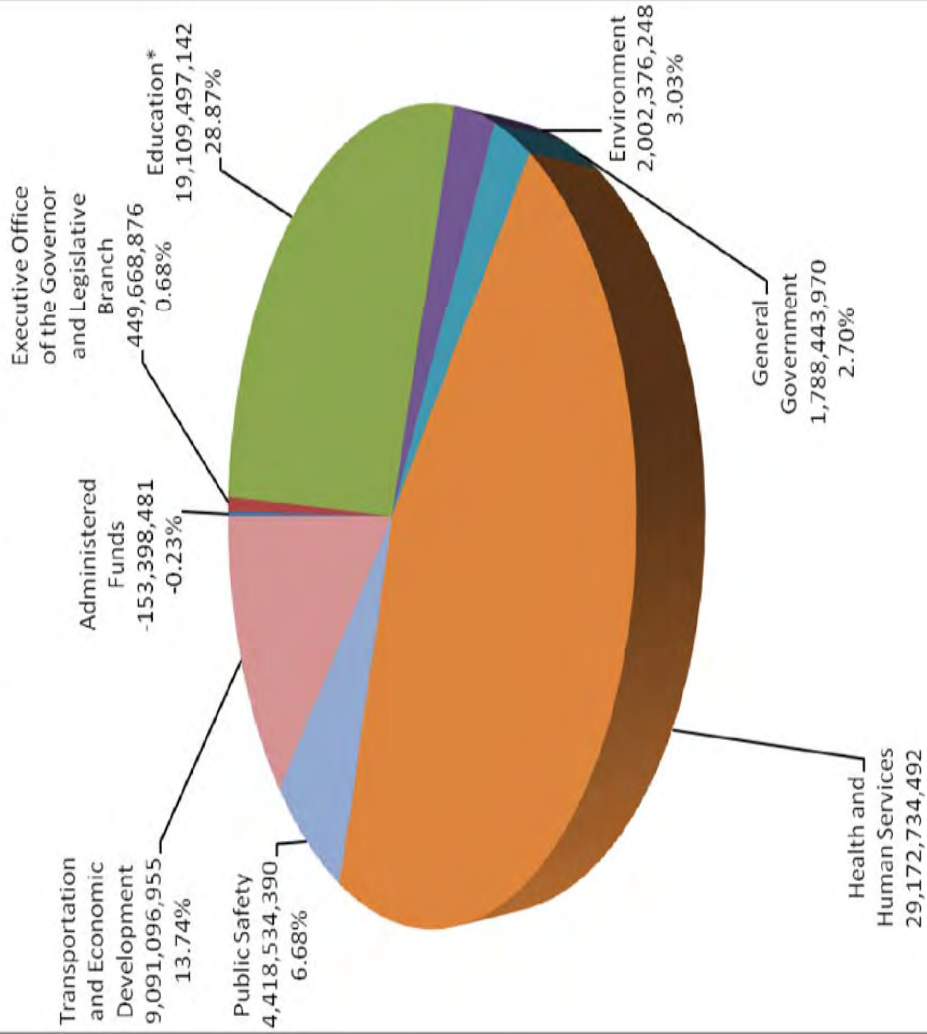
Policy Area	General Revenue	Trust Fund	Total	Positions
	\$ in millions			
Education	\$51.6	\$1,341.3	\$1,392.9	92.0
Environment	\$77.7	\$66.3	\$144.0	537.5
General Government	\$30.1	\$11.6	\$41.7	443.5
Health and Human Services	\$636.4	\$695.7	\$1,332.1	3,403.0
Public Safety	\$337.1	\$546.7	\$883.8	3,885.0
Transportation and Economic Development	\$115.2	\$84.1	\$199.3	590.0
Executive Office of the Governor and Legislature	\$10.2	\$0	\$10.2	7.0
Total	1,258.3	2,745.7	4,004.0	8,958.0



Budget by Policy Area – FY 2011-12

Total Budget by Policy Area

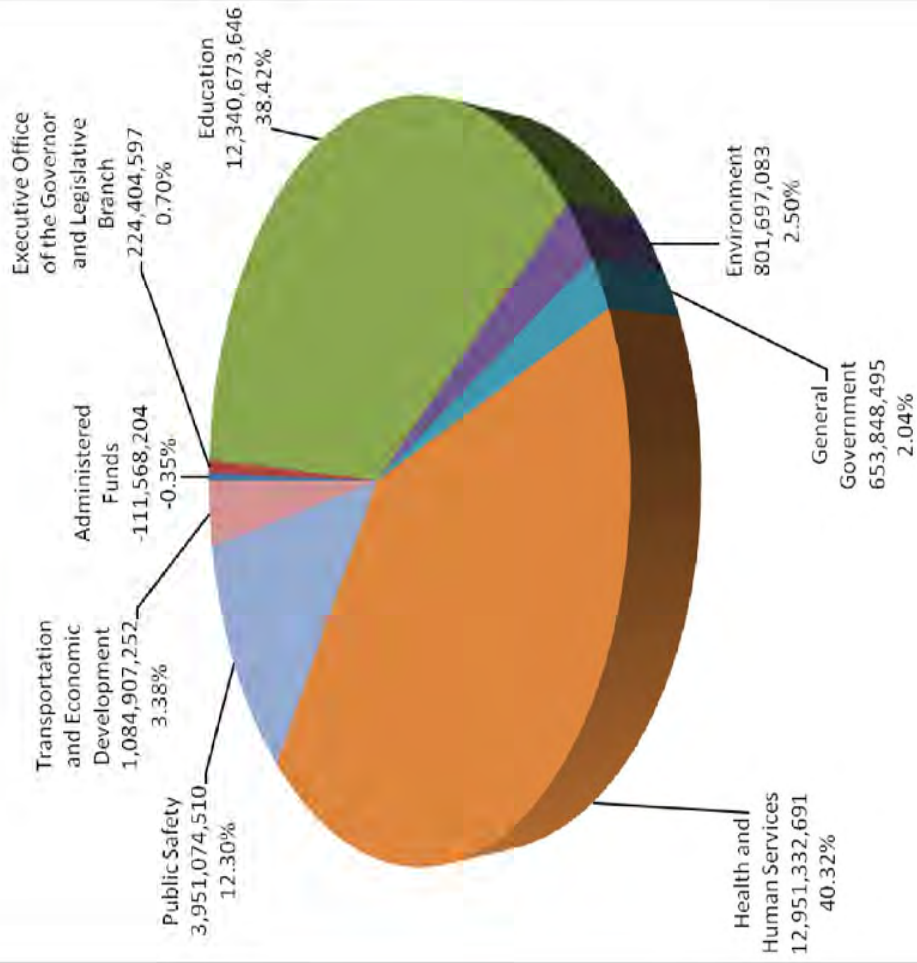
Total Budget \$65.9 billion



*Note: The following is excluded in this chart: 1) local funds in the amount of \$7.6 billion; 2) K-12 Workforce Tuition Revenues in the amount \$36.8 million; 3) Florida College Tuition Revenues in the amount of \$912.4 million; and 4) State Universities in the amount of \$1.47 billion).

General Revenue Appropriation by Policy Area

Total General Revenue \$31.9 billion



Budget by Agency – Two Fiscal Years Compared

Agency	Fiscal Year 2011-12			Fiscal Year 2012-13		
	General Revenue	All Funds	Positions	General Revenue	All Funds	Positions
Business and Professional Regulation	122,331,579	123,600,741	1454.00	121,792,758	122,231,820	1454.00
Financial Services	90,489,544	229,513,753	1921.00	90,489,544	228,920,289	1921.00
Insurance Regulation	28,342,721	28,342,721	290.00	25,802,947	25,802,947	290.00
Financial Regulation	35,524,338	43,469,590	454.00	35,524,338	43,469,590	454.00
Lottery	0	135,671,913	424.00	0	132,459,078	424.00
Military Affairs	23,917,372	66,263,910	373.00	21,598,872	60,230,553	373.00
Revenue	279,562,388	546,179,133	5097.00	271,469,557	511,674,993	5,097.00



Budget by Agency— Two Fiscal Years Compared

Agency	Fiscal Year 2011-12			Fiscal Year 2012-13		
	General Revenue	All Funds	Positions	General Revenue	All Funds	Positions
Management Services	71,763,727	532,028,337	845.00	72,370,136	532,968,484	839.00
DOAH	0	26,816,006	266.00	0	26,816,006	266.00
NSRC	0	28,228,884	94.00	0	29,189,865	94.00
SSRC	0	26,412,156	120.00	0	28,995,557	120.00
AEIT	1,916,826	1,916,826	16	1,666,826	1,666,826	16.00
GRAND TOTAL	653,848,495	1,788,443,970		640,714,978	1,744,426,008	



HIGHLIGHTS

ALL AGENCIES

- Eliminated vacant positions over 100 days
- Renegotiate leases over the next 2 years – 10% each year
- Eliminate certain TFs and redirect revenues to GR
- Continue to consolidate state data centers
- Targeted 5% work force reduction
- Targeted 15% GR reduction
- Reduced expense, OCO, contracts, and excess salary



HIGHLIGHTS

DBPR

- Eliminated \$1.1 million funding for recovery funds
- Moves CPA Minority Scholarship funding to a DSO
- Transferred the FBC from DCA to the department
- Outsourced the remainder of the education and testing function
- Transferred the Enforcing Underage Drinking Laws Block Grant from EOG to the department
- Transferred the drug, devices, and cosmetics, and household products regulation from DOH to the department



HIGHLIGHTS

DFS

- Flattened the management structure by increasing span of control from 1:4 to 1:7
- Eliminates the check cashing services in the Capitol
- Funds \$2.5 million to cover property insurance for state assets
- Eliminates the electronic reporting of WC claims data
- Reduced publications for public assistance outreach services
- Transferred Public Assistance Fraud from DLES to the department



HIGHLIGHTS

Lottery

- Funds a required Independent Security Audit
- Funds computer software and terminal enhancements for on-line gaming
- Eliminates compulsive gambling web-based services



HIGHLIGHTS

DMS

- Eliminates the Aircraft Program
- Eliminates the OSD in FY 2012-13
- Transfers the Florida Channel from the DOE to the department
- Provides \$5.8 million for repair and rehab of state facilities
- Provides \$38.2 million to pay debt service for DOR and courts
- Continues 2 federal grants: E911 Internet Protocol Routing and Statewide Broadband Mapping system
- Transfers NSRC from DCF to the department
- Transfers AEIT from EOG to the department



HIGHLIGHTS

DOR

- Reduces the role of the department in property Tax Compliance Assistance saving \$4.4 million
- Provides \$1.1 million to continue 21 positions in Child support that were funded with non-recurring dollars
- Continues CAMS II development
- Provides \$2.5 million to restore an ARRA fund shift in Child Support



Major Reforms At a Glance

Agency Shared Services

Transfers administrative services from all state agencies including the Judicial

Branch to the Department of Management Services:

- Finance and accounting
- Procurement
- Legal
- Leasing
- Mail room
- Print shops
- Personnel management
- Training
- Records management
- Fleet management
- Contract administration (Some may remain)
- Grants management
- Supply room and warehouse operations
- Property management
- Call center support
- Local area network management
- End-user computing management support



Drugs, Devices and Cosmetics Program (DDC)

What we have learned:

- **Opportunities**
 - Restructuring how data is electronically stored to improve:
 - Online Services
 - Record Searching
 - Reporting
 - Inspection Scheduling
 - Workflow Routing
 - Streamlining business processes which will potentially produce additional efficiencies
 - Evaluating feasibility of offering Interactive Voice Response (IVR) services to DDC customers

Challenges and Concerns

- *Division of Technology*
 - Evaluating and converting electronic data and outsourced images
 - Integrating DDC mobile inspection functionality into DBPR environment
 - Integrating DDC monthly renewal schedule into DBPR processes. All licenses at DBPR are on an annual or biennial renewal cycle.

Challenges and Concerns

- **Office of Budget and Financial Management**
 - Cash Deficit
 - Based on documents provided from DOH, the program is projected to be in deficit \$1.8 million by June 30, 2011.
 - FTE – 31 positions for program
 - To date, the Department of Health has not identified the DDC Program Director and other compliance officer and support staff.

Challenges and Concerns

- The Department of Health has identified 31 staff to transition to the Department of Business and Professional Regulation.
- DOH has not included:
 - Program Director
 - Compliance Officers
 - Administrative and Support Staff

Next Steps

- **Division of Technology**
 - Conduct gap analysis between DBPR systems and DOH systems
 - Configure setup; map, extract, and convert data
 - Evaluate and modify the renewal notice process as necessary
 - Evaluate whether DBPR licenses will be appropriate for use by DDC
- **Office of Budget and Financial Management**
 - Develop account code structure and prepare crosswalks for all codes
 - Review all accounting related administrative functions in place at DOH and incorporate those into DBPR as appropriate
 - Reconcile FTE count
 - Develop base appropriation funding and review DOH projections
- **Division of Administration**
 - **Consider moving the DOH DDC Program Director and Project Manager to DBPR as soon as possible**
 - Identify positions to be transferred and determine number of FTE in each site throughout the state
 - Transfer positions and employees in PeopleFirst from DOH to DBPR
 - Schedule and facilitate physical move of transferred staff

Contact Information

Charlie Liem – Secretary


Charlie.Liem@dbpr.state.fl.us

850-413-0755 (Office)

Tim Nungesser – Legislative Affairs Director

Tim.Nungesser@dbpr.state.fl.us

850-922-3046 (Direct)



CHIEF FINANCIAL OFFICER
JEFF ATWATER
FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Florida's Risk Management Program Initiatives to Address Program Cost Drivers

*Presentation to the House Subcommittee on General Government Appropriations
February 8, 2011*

Risk Management Program Overview

- Florida self-insurance program for property and casualty risks. Administered by the Department of Financial Services.
- Designed to administer certain claims of state agencies and provide them with loss prevention guidance.
- Covers executive, legislative, judicial branches of Florida government & state universities.
- Funded by yearly assessments to participating state agencies.

Workers' Compensation Program Overview

- Serves as a comprehensive resource to all system stakeholders.
- Creates a real-time workers' compensation information environment and measures the health of the workers' compensation system.
- Promotes and advocates for accident prevention in the workplace.

Claims Data for last three Fiscal Years

PROGRAM	FY 07/08		FY 08/09		FY 09/10		FY 10/11 (Thru Dec. 2010)	
	New Claims Reported	Loss Payments	New Claims Reported	Loss Payments	New Claims Reported	Loss Payments	New Claims Reported	Loss Payments
Workers' Compensation	13,644	\$103,452,439	13,842	\$109,646,128	14,900	\$118,915,603	7,254	\$51,802,174.37
State Property	54	\$138,947	146	\$344,639	40	\$514,852	42	\$57,522.47
Liability	2,462	\$44,244,615	2,332	\$32,653,697	2,242	\$26,617,045	1,271	\$6,755,211.06

Specific Claims Cost Drivers

1. Rising medical costs, including pharmacy. Increase in medical costs of \$12.2M in FY 09/10, but decrease in indemnity (lost salary) payments of \$2.5M.
2. Substantially lower recoveries on claims. Decrease from \$19.2M in FY 07/08 to \$4.4M in FY 09/10.
3. Current law – Presumption Claims (112.18 F.S). Increased cost of \$8.4M for FY 09/10 – Over \$30M in additional cost since law implementation in 2002-2003 that expanded ability to file presumption claims to correctional officers.
4. Mandated “Cost of Living” supplement on PTD claims – 3% to 5% per year.
5. Occasional and unexpected large awards on civil rights violation claims.

Initiatives to Address Cost Drivers

- Best approach is to prevent all claims from occurring, and to return injured workers to work as soon as possible.
 - Loss prevention staff working with agencies to evaluate high loss areas and develop prevention strategies, including reducing presumption claims.
 - Certain agencies such as DOH and FDLE have already seen large reductions in workers' compensation costs.
- More proactive medical care to get injured employees back to work faster, reducing “lost time” claims. These claims account for 80% of all costs but only 10% of claims.
- Reviewing employment discrimination and civil rights claims to identify opportunities for early settlement.
- Premium calculation methodology changed to highlight state agencies that proactively reduce claims.

2010 Legislative Proposal to Enhance Loss Prevention (HB 5603)

- The bill, which was vetoed by Gov. Crist:
 1. Required agencies to develop workers' compensation "Return-to-work" programs.
 2. Gave DRM authority to audit and monitor agency risk management systems and loss prevention programs, including requiring agencies to submit corrective action plans.
 3. Based agency risk management premiums on retrospective as well as agency-specific outcome measures, to incentivize reduction in claims costs.
 4. Required agencies to return unused funds to the Workers' Comp Trust Fund
 5. Revised reimbursement amount for repackaged drugs

Effects of HB 5603 (2010)

- The bill would have saved the Division of Risk Management an additional \$500,000 on top of current yearly savings trend of \$2.5M for “lost salary” costs by:
 - Requiring Return-to-Work programs
 - Creating more loss prevention programs
 - Provided for savings in drug repackaging reimbursement amounts
- Drug repackaging revision would have resulted in additional cost savings:
 - Current law allows prescription drugs to be reimbursed at the “average wholesale price” (AWP) plus a \$4.18 dispensing fee. There is no uniform definition of “average wholesale price”.
 - Although drug repackagers do not alter the drugs, they do sell them in different quantities. In doing so, a new average wholesale price is assigned.
 - The bill would have continued to allow the repackaging of prescription drugs, but it strictly limited the reimbursement amount to the AWP of the original manufacturer, plus the \$4.18 dispensing fee.
 - NCCI estimated that this provision would have reduced total workers’ compensation costs to Florida employers by 1.1%, or \$34 million annually.

Recent Risk Management Accomplishments/Projects

- Our team currently makes a concerted effort to create voluntary loss prevention programming and standards in an effort to reduce costs.
- We have a two-level focus:
 - + Drive statewide loss prevention program development by providing standards, guidelines, and policy.
 - + Devote staff to working special projects where we see high claims cost and frequency and a good ROI.
- We have...
 - developed and issued Loss Prevention Standards for all agencies and universities.
 - developed model Return-to-Work Guidelines.
 - provided staff Consultation Services, or the process of doing so, for 16 agencies
 - engaged Contractor Consultation Services for 7 agency projects
 - confirmed onsite agency training for two agencies

THANK YOU

Questions?