

III. Overview

COMMISSION ON STREAMLINING GOVERNMENT OVERVIEW

General Government

A number of the recommendations proposed by the Commission by its own terms are agency-specific; however, many of the concepts covered relate to the idea of providing a public service more efficiently or in a manner that provides for increased ease of utilization by the citizen. These recommendations may be applied to any number of agencies and therefore are classified in the category of general government.

Due to the severe budget constraints under which the state of Louisiana has been operating, any recommendation which had an up-front cost, regardless of merit or future cost-savings, was not implemented. However, these recommendations should be regarded as complete. Generally, the affected agencies engaged in rigorous evaluation of the efficacy of the recommendation and prepared documentation which indicates the efficiencies to be gained if the state is interested in investing the funds for implementation in the future.

Outsourcing or privatization was suggested for the following processes that are currently performed in-house at some agencies:

- Printing and other document creation; mailing; data entry for archiving purposes.
- Utilization of self-reporting.
- Processing of workers' compensation claims.
- Issuance and distribution of one-stop certificates.
- Certain lab services.
- Commercial fleet registration for interstate jurisdictions.
- Food services.
- Control of aquatic plants.
- Utilities.
- Billeting at military department installations.
- Upgrades or replacements of sewerage treatment and waste water collections.
- Commodity inventory for emergency preparedness.
- Road maintenance.
- Imaging and content management.

Additionally, it was recommended that a unit be created within the Division of Administration that would serve as a center of functional excellence for privatization and outsourcing. This recommendation was among those found to be cost prohibitive.

Consolidation or coordination was suggested for the following processes or services that are currently performed independently by various agencies:

- Collection of accounts receivable.
- Library services.
- Certain hot lines.
- Facilities at the Lacombe Hatchery.
- Data processing assets.
- E-mail.
- Management of IT procurement.
- Document and remittance processing.
- Auditing for payment of taxes.
- Utilization of prison labor for cleaning and janitorial services.
- Fixed-site scale responsibilities.
- Automation of permitting.
- Field sampling programs.
- Drinking water testing and monitoring programs.
- Field auditing for royalty payments.
- Commodity-based procurement coordination through usage of an all-agency access database.

Additionally, to the extent that certain state services are delivered on a regional basis, it was recommended that a set of uniform boundaries should be established and utilized across all agencies. This recommendation has not yet been implemented as the analysis of where to draw the regional boundaries and which services should be delivered is not yet complete.

Changes in state ownership were suggested for certain types of property at various agencies, including:

- Reduction in the number of vehicles, including automobiles and airplanes.
- Utilization of property pursuant to its "highest and best use" as determined by the Division of Administration.
- Lease of office space owned by one agency to another.
- Removing the state from the leasing of buildings and office space.
- Converting state-owned enterprises and assets from dormant physical capital to financial capital.

Generally the fleet of state-owned vehicles has been significantly reduced, with rental contracts being utilized on an as-needed basis. The recommendations regarding real property are being implemented opportunistically.

Additional checks to assure that private entities are complying with Louisiana law were the subject of several recommendations including: requiring nonresident contractors to include tax identification numbers on each permit and to submit proof that the contractor is properly registered to do business in the state; increasing the number of auditors at the Department of Revenue; requiring all state vendors and contractors to obtain a tax clearance certificate from the Department of Revenue; and allowing agencies to "garnish" payments to vendors or contractors for accounts receivable subject to a final nonappealable judgment by a court of competent jurisdiction.

The implementation of "full cost recovery", where appropriate, was also recommended. This requires government services and processes to be identified as activities to be funded in whole or in part through full cost recovery. Act No. 1001 of the 2010 Regular Session established a process for the review of revenue generated from fees and the expenses associated with the service or activity funded by the fee.

State Employees

Implementing additional safety procedures, hiring freezes, workforce reductions, performance evaluations, and various training methods were all options recommended by the Commission in order to save or reduce the state's expenditures regarding state employees. All state agencies have participated in continuous improvement discussions regarding these recommendations.

The Office of Risk Management (ORM) will provide expanded reporting in its FY'11 Annual Report which is expected to show safety performance of each agency and a pass/fail grade based on predetermined criteria. The ORM does not have the authority to impose penalties on an individual. Two other safety recommendations, if implemented, will hold department heads accountable for poor safety performance and provide training for poorly performing department personnel to prevent or reduce work-related accidents. All state agencies are in the process of implementing these recommendations through the ORM. The Division of Administration (DOA) confirmed this was implemented administratively for the 2010-2011 and 2011-2012 fiscal years, by adding funds to the executive budget.

A quick step to reduce state employee expenditures was to implement a hiring freeze. This allowed for consolidation of employee functions and strategic hiring to fill positions only where absolutely needed. State agencies were also asked to review contractual and temporary employees in order to reduce, eliminate, or place holds on additional costs. Two legislative measures won approval regarding employee ratios. Act 877 of the 2010 Regular Session reorganized the Department of Children and Family Services to reach the goal of a 1:8 supervisor-to-employee target ratio. Pursuant to House Concurrent Resolution 77 of the 2010 Regular Session, the Department of Civil Service (DSCS) issued a report detailing the requested data on a span of control. The report concludes there are no national standards relative to the span of control recommendations, and that

for some professions, national accrediting bodies may recommend maximum caseloads and the maximum number of subordinates per supervisor that should not be exceeded, but none recommend minimum or optimal levels.

Concepts including workforce reduction and furloughs yielded at least twelve recommendations. State agencies were asked to limit travel along with taking advantage of employee attrition. State agencies continue to use the retirement incentive to help support this recommendation. The DSCS continues its effort to enlarge pay bands providing opportunities for flattening agency organizational charts, reducing job title classifications, encouraging the use of pay-for-performance initiatives, and widening the utilization of dual career ladders (DCL). In FY'11, the State Civil Service Commission increased employee participation limits for a DCL program from 15% of an agency's job classifications to 25% of the agency's job classifications. The DSCS and the State Civil Service Commission have also researched the effects of enlarging the pay bands by increasing the minimums. However, because an increased minimum will result in an increase in state costs, this recommendation was considered but not implemented.

Other state employee recommendations related to training and performance included:

- Implementing the use of PPR forms to track employee productivity and performance levels.
- Holding mandatory education and training for upper level management to inform and refresh on rules and procedures.

Other state employee recommendations partially or fully implemented include:

- Automating time and attendance systems.
- Developing plans to ease state employees from state service to private employment in the event of a reduction in workforce.
- Enacting of Act 322 of the 2011 Regular Session allowing for the purchase of service credits for purposes of attaining retirement eligibility in the Louisiana State Employees' Retirement System of the four state retirement systems.
- Enacting of Act 992 of the 2010 Regular Session to alter the defined benefit plan structure providing for reduced employer cost and greater portability of benefits.
- Investigating whether savings could be achieved by the coordination of recruitment efforts by state entities at individual events or locations.
- Consolidating and outsourcing of state employee group medical benefits under a single administrative provider.

Health Care and Social Services

A number of Commission recommendations were directed at health care and social services. The aim was to provide for more efficient and effective delivery of services throughout the state with the limited resources available. That required rethinking many of the health care delivery mechanisms currently being used. The goal was to maximize the health care delivered while at the same time utilizing the limited financial resources to enhance the public sector delivery mechanisms with private sector provider participation. Where it made more sense to continue with public sector delivery of health care and social services assistance, the recommendations sought to make that delivery more cost effective. Where private sector provider participation or privatization of the delivery mechanisms seemed to be the better choice from the standpoint of care and assistance needs and cost effectiveness, the recommendations were aimed at making those changes in ways that would be most helpful to the recipients of those services and cost effective to the state.

One of the key recommendations in the area of health care delivery provided for the transition of the state Medicaid system to an integrated delivery system with care coordination. The process was begun in state fiscal year 2010-2011. The current fiscal year state Medicaid budget includes both administrative funding and funding for premium payments and payments related to prior claims for the full implementation of Medicaid Managed Care beginning in January 2012 and phased in through the end of the current fiscal year. Savings are anticipated to result from better management of care.

A series of recommendations was directed at privatization and consolidation of state-operated support and service centers and community homes. One of the recommendations called for the Department of Health and Hospitals (DHH) to solicit qualified providers to partially privatize centers for developmentally disabled and transfer residents to private centers or transition them to community based services. The recommendation also called for the consolidation of the state-operated centers. DHH began to implement the recommendation in state fiscal year 2010-2011. The department has consolidated, or closed and privatized, some state-operated support and service centers and has transitioned 20% of the residents in state-operated centers to community based services. In addition, the department has downsized and/or privatized 30 of the state-operated community homes and transitioned 41 recipients of supported independent living services/supports to private community waiver providers, and transitioned 54 recipients of extended family living services into pure waiver funding using private providers.

Another recommendation called for the DHH to implement a competitive bid process to redirect services from public health units to local providers, such as Federally Qualified Health Centers (FQHC's) and Rural Health Clinics (RHC's). The department, through its Office of Public Health, is currently restructuring how clinical services are provided throughout the state, including transitioning services to other appropriate providers, such as FQHC's and RHC's.

An example of a recommendation intended to downsize and consolidate department functions is the recommendation to create within the DHH, the Office of Behavioral Health to replace the Office of Mental Health and Office of Addictive Disorders. Significant savings were realized from the elimination of duplicated services and table of organization reductions.

Recommendations directed to the Department of Social Services (DSS) (*now the Department of Children and Family Services*) were intended to realign services being provided with departments more appropriate for the function. For example, one recommendation provided for the development of a plan to integrate services of the department and the Louisiana Workforce Commission (LWC), particularly those services where shared clientele is realized. Act 939 of the 2010 Regular Session transferred the Louisiana Rehabilitation Services from DSS to LWC. The administrative services have been integrated with LWC infrastructure and program integration is currently in the planning stages.

Recommendations for outsourcing health services provided to our veterans were directed to the Department of Veterans Affairs and called for outsourcing pharmacy services, physician services, and therapy services. All three of the recommendations have been implemented by the department, resulting in significant savings for a department tasked with the functions of the state related to the welfare of our veterans.

Education

The Commission proposed numerous recommendations aimed at the education system in Louisiana. The recommendations ranged from pre-kindergarten programs for at-risk four-year-old children to the responsibility of adult education. The goal of the Commission was to reduce the cost of state government in order to overcome the projected severe revenue reductions occurring through 2012 and to ensure that available state tax dollars are being spent efficiently and effectively.

A few recommendations dealt with the Minimum Foundation Program (MFP). Based on one of these recommendations, Act 131 of the 2010 Regular Session was enacted that provided that an alternative school located in a secure care facility under the jurisdiction of the office of juvenile justice will be considered a public elementary or secondary school and included by the Board of Elementary and Secondary Education (BESE) in the MFP formula. Act 131 will result in a savings to the state in the amount of \$1,414,809 for FY11 and \$1,225,986 for FY12 for a total savings of \$2,640,795.

Another recommendation that resulted in a savings to the state was the recommendation to align the Department of Education contracts to the highest priority education initiatives, and cancel the other contracts that are not in the top priorities. The FY11 reduction in contracts totaled \$3.4 million in state general funds. According to the department, they prioritized contracts in FY11 by

aligning the contract services to the vision, mission and goals of the agency. In addition, requirements for federal program administration were examined to ensure that if professional services contracts were utilized these services supported compliance with federal program regulations.

Some of the Commission recommendations were aimed directly at BESE. One recommendation required BESE to study the use of digital textbooks in state schools and to report to the Legislature prior to March 2010. The study notes that while Louisiana has the capacity to utilize technology effectively, additional funding would be needed to continue projects proven to be effective at utilizing digital textbooks, but no dollar amount was identified. Another recommendation was for the Department of Education and BESE to pursue student-based budgeting. In the spring of 2011, BESE sponsored the start of a pilot program on student-based budgeting. The pilot program will assist districts in the development and implementation of new budgeting strategies to increase equity, flexibility, and transparency at the district and school level. The goal is to test these strategies, assess the resources required for implementation, and develop an implementation plan for expansion to present to BESE for consideration in June 2012. Seven school districts are participating in the program.

Other recommendations that have been implemented include the following:

- Reduce the paperwork required of each school district for the annual Pupil Progression and Advancement Plans and School Improvement Plans to "net change" documents instead of redoing the entire report yearly.
- Restructure teacher pay to provide incentives for education graduates to seek secondary education positions.
- Require BESE to terminate the pre-GED (Graduate Equivalency Diploma) Skills Options Program and direct local education agencies to re-direct funds supporting the program to approved dropout prevention programs modeled after Jobs for America's Graduates.

Public Safety, Corrections and Juvenile Justice

Consistent with other states, Louisiana has experienced an ever increasing budget for the incarceration of state offenders over the last three decades. As funding for this task is overwhelmingly state general fund, the Commission sought to develop recommendations that manage existing resources and generate savings without compromising public safety.

Some of the Commission's recommendations were directed at pre-intervention programs such as recommendations to build infrastructure regionally to address families in need of services. Other recommendations were directed at reducing recidivism such as the recommendation to promote General Education Development Test (GED) opportunities for state inmates.

Several of the recommendations by the Commission included the outsourcing of certain tasks such as background checks performed by the Office of Public Safety and their Hazardous Materials 24-hour hotline as well as the Office of Motor Vehicles' centralized call center and the Department of Correction's collection of probation and parole fees.

The most meaningful recommendations, in terms of financial savings, were recommendations to privatize healthcare services, including pharmacy services, for juveniles in secure care facilities and pharmaceutical services for adults in secure care facilities. In September 2010, the Office of Juvenile Justice, through a competitive process, entered into a contract with a private vendor to provide healthcare services including mental health, health, dental and pharmacy for two of the three secure care juvenile facilities. In July 2011, a contract for similar services for the third facility was executed. According to the Legislative Fiscal Office, the saving from fiscal year 2012 when compared to fiscal year 2010, as a result of the privatization is \$9.15M.

Similarly, the Department of Public Safety & Corrections, Corrections Services, working with the LSU Health Care Service Division hospitals, were able to receive 340B pricing for Hepatitis medications in Fiscal Year 2011. The 340B pricing is a program through which certain federally funded grantees and other safety net health care providers may purchase prescription medication at significantly reduced prices. The Hepatitis medication is paid for by the Department of Public Safety and Corrections for the affected inmate. On average, about twenty offenders per year need the more costly Hepatitis treatment which can last 48 to 48-52 weeks. These certain medications did cost \$2,533 per month per offender; however, by receiving 340B pricing, the cost was reduced to \$460 per month. Estimated savings in fiscal year 2011 was \$497,520. In addition to drug pricing, the department outsourced their pharmaceutical services to a private vendor. The contract began in April 2010 and ended in June 2011. The department estimates a total savings as a result of the contract to be \$960,000 since fiscal year 2010.

Sometimes the specific recommendation was not implemented, but lead the agency to an alternative solution that did result in significant savings. For example, the Commission recommended that the Department of Health and Hospitals enter a competitive process to privatize secure residential services for person, determined by a court to be "Not Guilty by Reason of Insanity" and the "Lockhart" population. As a result of the RFP process, DHH determined this recommendation not to be cost effective, but then DHH restructured the beds and operations previously performed at Eastern Louisiana State Hospital and Central Louisiana State Hospital to a new Secure Forensic Facility which, according to the Legislative Fiscal Office, yielded a savings in the state general fund for fiscal year 2011 of \$6M.

The Commission also specifically called on the Louisiana Sentencing Commission to complete its work and provide policy recommendations to the Legislature. As Louisiana continues to have the highest incarceration rate per capita in the world, there are obviously model programs

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and best practices working in other states that could be in piloted or implemented in our state to help reduce Louisiana incarceration rate without compromising public safety. The Legislature considered several of the Sentencing Commission's recommendations in the 2011 session.