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Antiquated computers can cost the state money as it becomes more expensive to purchase hardware to support those systems.

Protecting services calls for bold thinking

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AIF's Recommendations on How to Cut Health & Human Services (HHS) Appropriations without Cutting Front-line Services

On January 6th, I had the opportunity to testify before the Senate HHS Appropriations Committee about how to effectuate future budget cuts without cutting front-line services. As you read this, I bet you are wondering why a business association would even care about human services. Well, first, we *are* humans too! Our employees, our family and friends, even some of our employers need help occasionally in the human service/behavioral healthcare arena. Second, as a major provider of taxpayer dollars, Associated Industries of Florida (AIF) and our members want to insure that our tax dollars provide the best bang for the buck — and that is not always happening now. Third, many of these

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outsourced providers are not-for-profits. Unfortunately, it seems that some legislators believe that if you work with destitute people, that the not-for-profits have to be destitute as well, and that just doesn't make any sense. In fact, having started two successful businesses in my lifetime (a private detective agency in Orlando and a consulting firm in Tallahassee), I can tell you that no one ever limited my ability to make a profit. Yet not-for-profits, if they take government dollars, are limited in their administrative overhead, and that certainly makes sense unless government hamstrings these providers with so many non-sensical and illogical rules and regulations that they can't be efficacious in their contracted outcomes. The only difference in a not-for-profit and a for-profit entity frankly is what happens with any dollars left over at the end of the

fiscal year. Even not-for-profits have to make some "profit" every year in order to pay for increase in salaries, benefits, utilities, etc. just like for-profit companies — and you and I do in our family budgets.

Florida spends billions of tax dollars providing services like substance abuse, mental health, juvenile justice and corrections for adults and children. In many cases the agency may not even provide the service but outsource some or all of it. After representing providers for 12 years before I ever came to AIF, I have some creative ideas that I would like to put on the table for consideration:

■ **1. Cut administration** — not services. While many agency heads have made necessary cuts to their staff, as we get closer to the regular session where more cuts will be needed, I

suggest that some of middle management be cut because that is where there is some extra fat in many cases. Like Assistant Division Directors, Assistant Bureau Chiefs, Assistant Directors. First cutting them will save significantly more dollars than cutting rank-and-file workers because of their larger salaries. If you cut front-line staff, because of their low salaries, they will end up on the public dole. Cut middle management and they will bounce to the private sector or find another job somewhere in government.

■ **2. Cut costs.** Especially in the human service arena, if a private provider is nationally accredited, and the accreditation standards are equal to Florida standards, then suspend the annual oversight and monitoring visits and make them every two or three years instead. To insure that public dollars are still being spent appropriately, continue to require annual certified audits with a compliance checklist that the CPA will attest to that in fact all contractual dollars were expended according to the contract requirements. Of course, if a provider gets into trouble, send in the oversight squad right away. For providers that are not nationally accredited, keep annual oversight/monitoring.

■ **3. Defer new agency mandates to providers unless life/safety issues.** Agencies love to attach new mandates to providers, but at a time of stretched resources – both public and private sector — only enforce mandates that are life/safety related and which there are dollars for the agency to cover the new costs imposed on the provider.

■ **4. Reduce paperwork by 50%.** Agencies love paperwork! But, good

paperwork does not always insure good outcomes — it may, but it also may not. A recent study was done of the paperwork requirements of the outsourced child welfare system, and 36% of agency requests were for documents they already had. This is duplicitous and wasteful for both the agency and the provider. Again, collect mission-critical data to help policymakers, but otherwise give the paperwork a break.

■ **5. Agencies that compete with private providers for front-line services need to lower their costs to what they pay the private providers.** This is a key issue because state agencies do not fully account for their *true* costs and in many circumstances they pay themselves significantly *more* dollars than they pay the providers for the exact same services. That means that agencies need to compute their rent/lease payments, cleaning services, security, uniforms, training, salaries/benefits, etc. when deciding whether it is more cost-effective to operate an agency-run or a private provider-run program such as a residential program. Outside independent analysis has demonstrated that agencies pay higher prices to operate their own programs than they pay to the private sector. So, agencies should either lower their own costs or outsource it – either way the public will save dollars. And agencies need to look to outsourcing even more human service functions. For competent state employees they will have nothing to fear because they will be hired by the private sector.

■ **6. Increase state commitment to Information Technology (IT).** Many of our state agencies are saddled with out-dated or “legacy” computer systems. In some cases it won’t be long before the computer manufacturer will no longer support the hardware, and it

becomes very expensive to continue to use these systems. In addition, we have an ever-smaller number of state employees who know how to run these systems, and when they retire we will really be in trouble. Florida now expends less than half what New York spends on IT, yet we are going to surpass NY in population after the next census. At a time when there is rampant talk of downsizing state employees, the best, most effective way to increase productivity is to let IT pick up the slack.

■ **7. Streamline multi-agency oversight of private providers.** Right now there are agencies such as Children & Families, Juvenile Justice, Corrections and Health which have the same providers servicing the same clientele – adults, and/or children. Why should we send similar oversight teams to visit the providers when we could send just one team? I know we have incongruent rules among the various agencies, but when we are cash-strapped let’s do it smarter. Make the agencies come to the table and compromise among themselves on the various rules and regulations that they should all be monitoring. There will be some places where they can’t come together, but in most instances they can work out the conflicting rules. Then have one “agency” provide across-the-board oversight. You’ll cut down on the number of visits, save staff, and save money.

■ **8. Stop putting Tobacco Dollars into the Chiles Settlement Fund.** Every year the tobacco companies that settled with Gov. Chiles back in 1997 pay based on how many cigarettes are sold in Florida. Last year they paid \$392 million to the state. Right now those dollars go into the fund and the interests from the collective dollars

are then turned over to the state. At today's interest rates, that's not a lot of money. So, instead of putting the money into the fund, give the \$392 million directly to the legislature for general revenue purposes to help save mission-critical services to children, the elderly and the frail — or wherever the legislature wants to use it. It will be way more than the interest and that will help everyone. I know the fund use to have over \$2 billion in their bank account. I also read with interest that they had lost half of their dollars to the stock market and so now they are down to only a little over \$1 bil-

lion. Hey, my stock portfolio took a hit too, just like everyone's did. There is no magic that the fund has to have a big balance. So, whatever dollars are left, it will still earn interest and it can still go to the state. But the big annual payments from the tobacco companies is better going to the state than to the fund and the state's coffers will appreciate the increase in revenue.

■ **9. Suspend The Federal Single Audit Act.** Florida is one of only three states in the country that adheres to the FSAA. By doing so we unnecessarily complicate the management of provid-

ers. Let's give ourselves some flexibility in this arena and we will soon find that the state's management of these providers will make more sense for both them and us. The biggest critic will be the Auditor General's office, I'm sure, but if 37 states can do without it, we can too in these tough times.

This is the toughest times we are going to endure since the Great Depression. There will be plenty of folks who will disagree with some or perhaps all of these ideas. But, if we are going to be a part of the solution, then we need to seriously start thinking outside-of-the-box.

AIF's Recommendations on How to Cut Criminal Justice Appropriations without Cutting Front-line Services

In the coming weeks, you as legislators will have to once again look at making significant cuts to the state's budget. In the Criminal Justice arena the biggest and most logical cut that can be made is within the Department of Corrections:

■ **1. Don't Build any New Prisons. The state is projected to need three (3) new prisons of 1,300 inmates each in the coming years.** Each is slated to cost approximately \$100 million to build and then about \$27 million to operate annually. Of course, we do not have the general revenue funds to build these prisons and given the downturn in the state's economy, we recommend that we do

not build these prisons. In addition, we should not bond the construction of these facilities either as it will dramatically increase the costs to the taxpayers over time.

■ **2. Provide Education, Life Skill, Faith-Based and Behavioral Healthcare Services Instead.** We can save the construction and operating costs and thus save the need for \$300 million in General Revenue (GR) or bonding by releasing 3,900 prisoners who are near the end of their terms and who are *non-violent offenders* (the released population should not include *violent felons, pedophiles or sexual predators*). But, to do so without providing these inmates with some services dooms many to recidivate and end back up in prison at a substantially higher cost to the taxpayers, not mentioning the future victims. In fact,

since over a third of adults released from prison reoffend within three years and end up reincarcerated again, it is in our collective best interest to fund services which are cheaper than housing them in prison.

The private sector in Florida already has a vibrant, experienced and knowledgeable cadre of private providers who can supply evidenced-based secular and faith-based services in prevention, diversion, education, life skills, job training, substance abuse, mental health, and re-entry services, etc. Most of these organizations are not-for-profit, community-based organizations that have been in your legislative districts for several decades. They have a proven track record and they have the potential to provide services that government does not have the expertise to provide.