

Government Efficiency Task Force
412 Knott Building
June 6, 2012
9:00 a.m. – 4:00 p.m.

- 1) Call to Order
- 2) Roll Call
- 3) Recommendations on State Employee Health Insurance Benefits
- 4) Recommendations on State Procurement of Mental Health and Substance Abuse Services
- 5) Recommendations on Criminal Justice
- 6) Recommendations on Inmate Education and Re-entry
- 7) Recommendations on Higher Education
- 8) Recommendations on University Procurement
- 9) Recommendations on State Procurement
- 10) Recommendations on the Florida Retirement System
- 11) Recommendations on the Division of Real Estate and Management
- 12) Adjourn



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Recommendation Analysis

Subject Matter: State Employee Health Insurance Benefits

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

RECOMMENDATION SUMMARY

On April 20, 2012, the Subcommittee on Health and Human Services voted to approve the following recommendations regarding state employee health insurance benefits:

- Establish uniform premium contribution amounts for all classes of state employees.
- Set contributions for all employees at the current contribution levels of Career Service employees. Equalizing contributions at these levels is estimated to save **\$34 million** per year.
- Implement a defined contribution (DC) model for state employee health insurance benefits. A DC model is estimated to save **\$250-300 million** per year.
- Consider multiple DC options when designing a new DC structure for state employee health insurance.
- Review the state's contribution and adjust for changes in health care costs at a minimum of every three years.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. STATE EMPLOYEE HEALTH INSURANCE

State Employee Health Insurance Program

The State Employee Health Insurance Program (program) is governed by s. 110.123, F.S. The program is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS or department).

The program is an optional benefit for all state employees, including state agencies, state universities, the court system and the Legislature. The program includes health, life, dental, vision, disability, and other supplemental insurance benefits.

As implemented by the department, the program offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan.

The State Employees' PPO plan is a self-insured health plan administered by Blue Cross Blue Shield of Florida and available to employees across the state.¹ Each HMO is a self-administered, pre-paid health plan that provides health services to people who live or work within the HMO's service area. Six HMOs provide coverage in various geographic regions.²

The program also offers two high-deductible health plans (HDHP) with health savings accounts (HSA). The Health Investor PPO Plan is the statewide, high deductible health plan administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible health plan in which the state has contracted with multiple state and regional HMOs.

A state employee participating in either Health Investor plan is eligible to receive contributions into the employee's health savings account.³ The participant may draw upon these funds to meet out-of-pocket medical and pharmacy expenses.

Employee premiums for Health Investor plans are lower, and every year since the high-deductible option has been offered, the state has contributed \$500 and \$1,000 into the HSA for employees with individual or family coverage, respectively. The contribution has annually been reinstated each year in a budget implementing bill.⁴

¹ The administrator is responsible for processing health claims, providing access to a Preferred Provider Care Network, and managing customer service, utilization review, and case management functions.

² State contracted HMO plan providers are Aetna, AvMed, Capital Health Plan, Coventry Health Care of Florida, Florida Health Care Plans, and United Health Care. Department of Management Services, *State of Florida Employee and Retiree Benefits Guide*, September 2011. http://www.myflorida.com/mybenefits/pdf/BenefitsGuide_2012.pdf (last visited 04/18/2012).

³ The state makes a \$500 per year contribution to the health savings account for single coverage and a \$1,000 per year contribution for family coverage. These contributions are not subject to federal income tax on the employee's income. *Id.*

⁴ A budget implementing bill makes statutory changes that are only effective for one year. HB 5009, passed during the 2012 Regular Session, will establish the HSA employer contributions in permanent law, if approved by the Governor.

Employer and Employee Contributions

The State Personnel System (SPS) is divided into categories, including Career Service (CS), Selected Exempt Service (SES), and Senior Management Service (SMS). As of June 30, 2011, Career Service employees comprised 81.7 percent of the SPS.⁵

Employee health insurance premium contributions differ according to coverage selected and employee category. The State of Florida health program currently offers three tiers of enrollment for employees: individual employee, employee plus family, and spouse. Employees are divided into two general categories based on class and personnel system. CS employees are categorized separately from SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, and Executive Office of the Governor, and personnel in other state employment systems.

Employee contribution levels are not adjusted for variances in benefit value or projected total cost of the chosen plan. The employee contribution and level of benefits are fixed, and the state absorbs any differences in total cost. The chart below details the monthly health insurance contributions for the state and employee.

Florida State Employee and Employer Insurance Contributions

Category	Coverage	Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer ⁶	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse ⁷	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES/SMS/EOG/ LEG/Lottery/other	Single	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64

B. EMPLOYER INSURANCE TRENDS

Average Contributions

Differences in premium amount, copays and deductibles, coverage levels, and other cost-sharing variables present challenges when comparing health benefits between government and private employers. Even within a single employer, each plan type may contract with multiple carriers and value of access varies by carrier and geographic location.⁸

⁵ Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 13 http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports (last visited 4/18/12).

⁶ Includes employer tax-free HSA contribution - \$500 per year for single coverage and \$1,000 per year for family coverage.

⁷ Both spouses must be state employees to participate in the spouse program. Contributions for all employees in the spouse program are the same, regardless of category.

⁸ For example, the federal benefits standard family Humana Medical Plan for South Florida requires a \$271.87 per month employee contribution versus \$310.59 for the same standard family Humana Medical Plan coverage in the Tampa area. United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42. <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 04/18/2012).

According to a 2010 study by The Segal Group surveying all 50 states and Washington, DC, over half of state plans are subsidized by the employer at 80% or higher.⁹ Employers offering HMOs and HDHPs provide higher premium subsidies than PPOs, which is generally linked to the reduction in the employer's claim cost liability. A 2011 survey of state employee health benefits by the National Conference of State Legislators (NCSL) found that states paid an average of 89% for individual coverage and 80% for family coverage.¹⁰ The State of Florida's contribution for CS employees is 91% of the standard premium and 97% of the health investor plan premium. NCSL found that Florida's employer contribution for individual coverage was \$499.80 per month, compared to a national average of \$519.13. Florida's contribution for CS employees is 86% of the standard premium and 94% of the health investor plan premium. NCSL found that Florida's employer contribution for family coverage was \$1,063.34 per month, compared to a national average of \$1,096.63.¹¹

DSGI contracted with Mercer Consulting to prepare a Benchmarking Report¹² (report) for the state group insurance program. The report compares Florida's state group insurance program to the programs of other large employers¹³, both in the public and in the private sectors.

The report found that State of Florida contributes a higher percentage of the premium to employee health benefits than other states and private employers. For example, the report found that Florida paid 84% of the monthly premium for a family PPO plan, compared to a 69% average for large national employers. At the time of the study, the average family plan premium for large national employers was \$361, while the monthly premium for a family PPO plan for a Florida state employee was \$180.¹⁴

The report also found that the average monthly employee contribution for individual coverage with a State of Florida employer was \$50, compared to \$93 and \$56 for PPO and HMO coverage, respectively, in other states.¹⁵ The average employee contribution for large employers in Florida was \$112 and \$104 for PPO and HMO coverage, respectively. Mercer's findings are summarized in the following charts comparing monthly employee contributions by dollar amount and as a percentage of premium.¹⁶

⁹ The Segal Group, *2010 Study of State Employee Health Benefits*, Winter 2011, p. 3.

<http://www.segalco.com/publications/surveysandstudies/2010statestudy.pdf> (last visited 04/18/2012).

¹⁰ National Conference of State Legislatures, *2011 State Employee Health Benefits: Monthly premium costs (family and individual coverage)*, September 2011, pp. 3, 5. <http://www.ncsl.org/Portals/1/documents/health/StateEHBenefits2011.pdf> (last visited 04/18/2012).

¹¹ *Id.* at pp. 2, 4.

¹² Mercer Consulting, *State of Florida Benchmarking Report*, March 24, 2011.

http://www.dms.myflorida.com/media/dsgi/sb_2000/2010_benchmarking_report_for_state_of_florida (last visited 04/18/2012).

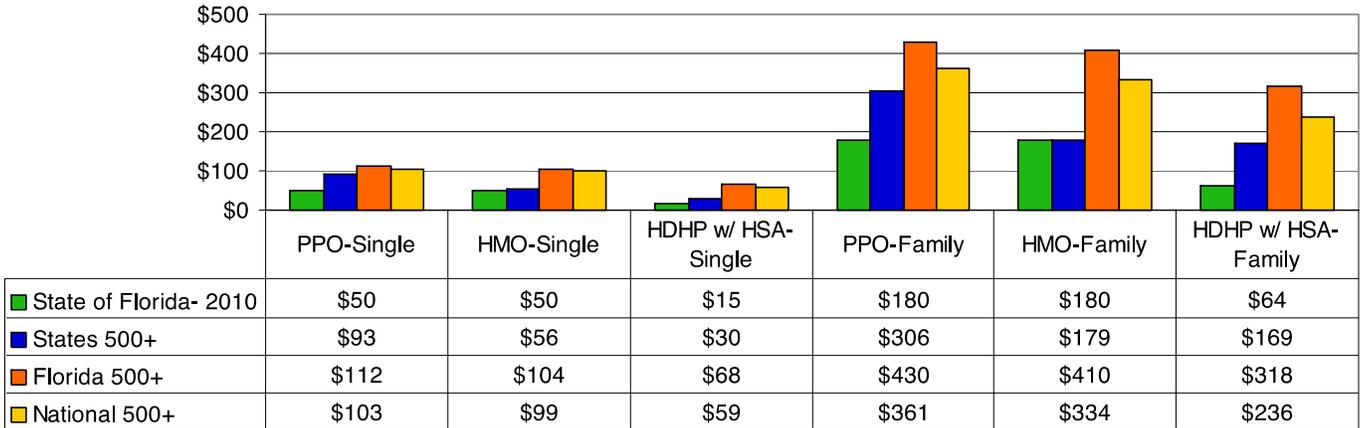
¹³ For the purpose of the report, "large employers" had 500 or more employees. *Id.*

¹⁴ *Id.*

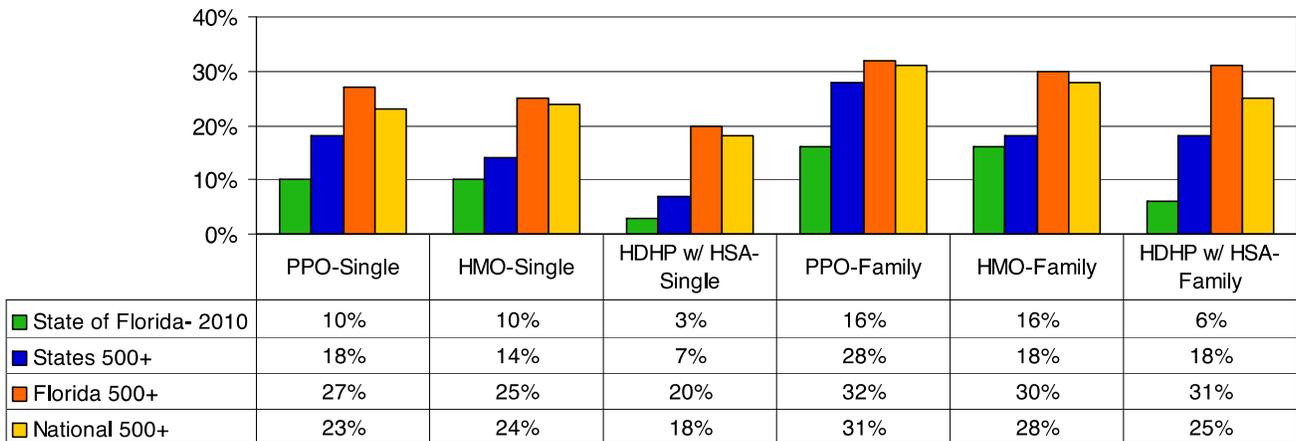
¹⁵ State of Florida compared with other states with 500+ employees. *Id.*

¹⁶ *Id.*

Monthly Employee Contribution Benchmarks (dollars)



Monthly Employee Contribution Benchmarks (percentage)



The federal government offers Preferred Provider Organization, Health Maintenance Organization, Point-of-Service, Consumer Driven, and High Deductible Health Savings Account or Health Reimbursement plans. Government agencies pay the lesser of: 72% of the average total premium of all plans weighted by the number of enrollees in each, or 75% of the premium for the specific plan chosen by the employee. For purposes of comparison, the federal employee contribution for Capital Health Plan coverage is \$102.27 for individuals and \$271.01 for families.¹⁷ State employee participants in Capital Health Plan contribute \$50 for individual coverage and \$180 for family coverage.

The State of Florida contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-2012.¹⁸ The state program is estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.¹⁹

¹⁷ United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42. <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 04/18/2012).

¹⁸ Fiscal information provided by DSGI.

Change and Efficiency

Recommendations:

The Subcommittee recommends establishing uniform premium contribution amounts for all classes of state employees. Currently, SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, Executive Office of the Governor, and other state personnel outside SPS, are contributing lower amounts for the same insurance coverage as CS employees. The current categories for monthly contribution levels do not correlate to average employee salary. On average, SPS employees in the lower monthly contribution category are earning higher salaries than CS employees.²⁰

The Subcommittee recommends setting contributions for all employees at the current contribution levels of Career Service employees: \$50 per month for standard individual coverage, \$180 per month for standard family coverage, \$15.00 per month for individual Health Investor plan coverage, and \$64.30 per month for Health Investor plan family coverage. Employee contributions for CS employees are currently below the averages for employees of large state governments, large Florida employers, and large national employers. Equalizing contributions at these levels is estimated to save **\$34 million** per year.

Cost and Trends

The state contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-2012.²¹ The state program is estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.²² Projected total expenses under the State Employees Group Health Program are expected to increase by \$800 million over four years, from just over \$1.8 billion in FY 2011-2012 to just over \$2.6 billion in FY 2014-2015.²³ Medical and pharmacy costs alone are projected to increase an average of 9.2% each year through Fiscal Year 2015-2016.²⁴

Health insurance contributions for state employees have not kept pace with annual increases in premium costs. The state has absorbed most of previous cost increases and employee contributions have remained relatively flat, as illustrated by the chart on the following page.²⁵ From FY 2002-2003 to FY 2011-2012, the total cost of the policy premium for standard family coverage increased \$7,002. Over that time, the Career Service employee's contribution increased by \$348, with the state contributing the remaining \$6,654 of the premium increase. The employee contribution has not risen since 2005. Over the same time period, the cost of the standard family coverage premium has risen \$4,169, and the full cost of the premium increase has been born by the state.

¹⁹ Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 04/18/2012).

²⁰ As of June 30, 2011, the average salary for Career Service employees was \$34,119. The average salary for Selected Exempt Service employees was \$53,136, and the average salary for Senior Management Service employees was \$109,054. Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 37 http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports (last visited 04/18/12).

²¹ Fiscal information provided by DSGI.

²² Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012, p. 1. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 04/18/2012).

²³ Fiscal information provided by DSGI.

²⁴ *Id.*

²⁵ *Id.*

Career Service Family Coverage Yearly Premium



Compared to employees of other state governments, large public and private employers in Florida, and large public and private employers across the country, State of Florida employees are currently paying lower rates for their health insurance coverage. State of Florida employees' lower contribution rates are evident when compared both in terms of the dollar amount of monthly contributions and in the total percentage of the premium. These lower rates translate to an increased cost to the state for health insurance benefits for state employees.

Change and Efficiency

The state employee health insurance program is a defined benefit (DB) program, in which the employer provides a specific benefit package to employees. Another option for providing health insurance benefits is the defined contribution (DC) model, in which the employer provides a specific contribution amount toward an employee's health coverage. The employee pays the remainder of the cost of the premium. The cost to the employee varies according to his or her choice of coverage and level of benefits.

Recommendations:

The Subcommittee recommends implementing a defined contribution model for state employee health insurance benefits. A DC model would give employees more control over their health benefits and, depending on the model implemented, provide increased choice for the employee. The cost of employee health benefits to the state would be more predictable and the state's financial exposure would be limited. The end result is health care that is both better suited to individual employees' needs and more cost efficient for the state. A DC model is estimated to save **\$250-300 million** per year.

The Subcommittee recommends considering multiple DC options when designing a new DC structure for state employee health insurance. DC plans may be implemented in numerous ways, including:

- The employer offers a range of benefit options at varying price levels. The employer contribution is typically set in relation to the lowest cost plan in order to ensure that all employees have access to benefits. The employee pays the difference in premium if he or she chooses a more expensive plan.

- The employer provides a specified contribution toward a medical savings account, intended to be used for low-severity services, and an insurance plan, generally a high-deductible plan intended to cover high-severity and emergency services.
- The employer provides health benefits to employees through an intermediary or purchasing group. The purchasing group or intermediary facilitates the relationship between employers, health plans, and employees, and may be involved at some level in plan and provider selection, contracting, and employee enrollment.
- The employer removes itself from administering benefits and provides the employee its contribution in the form of a voucher, tax credit, or other type of financial transfer. The employee uses the employer contribution to purchase the coverage of his or her choice.
- Various hybrids of the above models.

The Subcommittee recommends reviewing the state's contribution and adjusting for changes in health care costs at a minimum of every three years. Health insurance premium costs should be periodically reviewed for recent changes and future projections in total costs. The state should adjust its contribution so that both employer and employee have a share of premium cost increases and savings resulting from rate changes.



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Recommendations on State Employee Health Insurance Benefits

Subcommittee on Health and
Human Services

Robert Rohrlack, Chair

June 6, 2012



State Employee Health Insurance Program

- Administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS).
- Offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) plan, a Health Investor PPO plan, a standard Health Maintenance Organization (HMO) plan, and a Health Investor HMO plan.



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- Employee contributions are established in the General Appropriations Act each year.
- Employee contributions vary by employee category, coverage level, and plan selected.
- The state currently contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.40 billion of the total premium of \$1.57 billion for FY 2011-12.



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Category	Coverage	Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES/SMS/EOG/ LEG/Lottery/other	Single	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64



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State of Florida Benchmarking Report

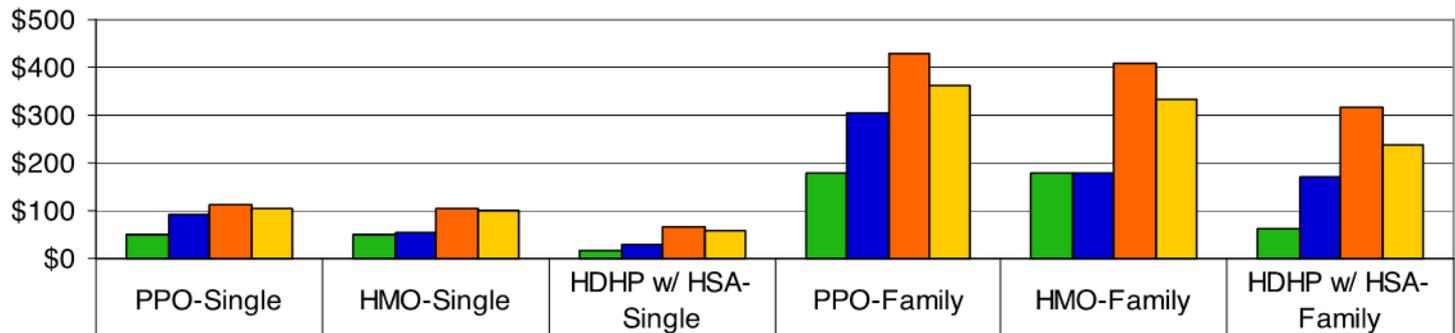
Mercer Consulting, 2011

- Comparing Florida's family PPO plan coverage to national large employers and Florida large employers:
- Employer contribution (percentage):
 - National average: 69%
 - Florida average: 68%
 - State of Florida contribution: 84%



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Monthly Employee Contribution Benchmarks



	PPO-Single	HMO-Single	HDHP w/ HSA-Single	PPO-Family	HMO-Family	HDHP w/ HSA-Family
State of Florida- 2010	\$50	\$50	\$15	\$180	\$180	\$64
States 500+	\$93	\$56	\$30	\$306	\$179	\$169
Florida 500+	\$112	\$104	\$68	\$430	\$410	\$318
National 500+	\$103	\$99	\$59	\$361	\$334	\$236

Mercer Consulting, *State of Florida*
Benchmarking Report, March 24, 2011



Recommendations

- **Establish uniform premium contribution amounts for all classes of state employees.**
- **Set contributions for all employees at the current contribution levels of Career Service employees.**
- **Equalizing contributions at these levels is estimated to save \$34 million per year.**



Costs and Trends

- Employee contribution and benefit levels are fixed, and the state absorbs any differences in total cost.
- Projected total expenses under the state employee group health program are expected to increase by more than \$800 million over four years, from just over \$1.8 billion in FY 2011-12 to just over \$2.6 billion in FY 2014-15.
- Medical and pharmacy costs are projected to increase on average 9.2% per year through FY 2015-16.



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Career Service Family Coverage Yearly Premium





Defined Benefit vs. Defined Contribution

- Defined Benefit – Employer provides a specific benefit package.
- Defined Contribution – Employer provides a specific contribution toward an employee's health coverage, allowing employee to choose from multiple plans.



Recommendations

- **Implement a defined contribution (DC) model for state employee health insurance benefits.**
- **Consider multiple DC options when designing a new DC structure for state employee health insurance.**
- **Review the state's contribution and adjust for changes in health care costs at a minimum of every three years.**
- **A DC model is estimated to save \$250-300 million per year.**



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services Recommendation Analysis

Subject Matter: State Procurement of Mental Health and Substance Abuse Services

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

RECOMMENDATION SUMMARY

On April 26, 2012, the Subcommittee on Health and Human Services voted to approve the following recommendations regarding state procurement of mental health and substance abuse services:

- Utilize common metrics for contracts when procuring mental health and substance abuse services.
- Ensure unit price information is available to all agencies and require agencies to check pricing for mental health and substance abuse services.
- Provide that agencies make greater use of pooled purchasing arrangements when cost effective.
- Implementing the above recommendations is estimated to achieve a cost savings of 6%-8%, or **\$72- \$96 million** per year based on current annual expenditures.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES

Mental health and substance abuse services are provided by the State of Florida to many of its residents.¹ These services are provided through a variety of programs and agencies. Many of these services are outsourced through contracts with for profit and not-for-profit vendors.

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) conducted research on *State Contract Management Review of Mental Health and Substance Abuse Services* in 2011.² As described by OPPAGA's research, for Fiscal Year 2010-11, the state held contracts totaling \$1.27 billion for mental health and substance abuse services.³ Five state agencies contract with providers to deliver mental health and substance abuse services to eligible populations: the Agency for Health Care Administration (AHCA), and the Departments of Children and Families (DCF), Corrections (DOC), Juvenile Justice (DJJ), and Health (DOH).⁴ As shown in Exhibit 1, the five agencies held a total of 641 contracts in Fiscal Year 2010-11, with the number of contracts per agency ranging from 11 for DOH to 368 for DCF. Not included in this figure are the costs of services provided by managed care under the Medicaid program. This is because blended rates are paid to managed care organizations for health and behavioral health care such as mental health and substance abuse services. For the most part, institutional costs are only included when the mental health and substance abuse services could be isolated from other costs and were contracted as opposed to state operated. Of the \$1.27 billion in total annual value of the contracts for Fiscal Year 2010-11, 41% was funded by federal and state trust funds, and 59% was funded by general revenue.⁵ The total contract amount for each agency ranged from \$2.9 million for DOH to \$629.9 million for DCF.⁶ The typical contract length was 3 years, but the length ranged from 4 months to 11 years.⁷ Approximately 61% (392) of the contracts will end before Fiscal Year 2012-13.⁸ The total lifetime value for the current Mental Health and Substance Abuse contracts, including escalators and extensions, is \$5.7 billion.⁹

Exhibit 1

For Fiscal Year 2010-11, Five State Agencies Held Contracts for Mental Health and Substance Abuse Services Totaling \$1.27 Billion¹⁰

Agency	Number of Contracts	Total Contracted Amount for Fiscal Year 2010-11		
		Trust Fund	General Revenue	Total
Agency for Health Care Administration	31	\$288,595,478	\$158,054,191	\$446,649,669
Department of Children and Families	368	195,548,935	434,394,242	629,943,178
Department of Corrections	77	1,760,977	37,347,963	39,108,940
Department of Juvenile Justice	154	27,317,281	124,437,096	151,754,377
Department of Health	11	2,678,119	227,902	2,906,021
Total	641	\$515,900,791¹	\$754,461,395¹	\$1,270,362,186¹

¹Totals may differ due to rounding.

¹ Mental health and substance abuse services may include: prevention programs, crisis stabilization, detoxification, residential and transitional housing support services, and outpatient treatment.

² OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011 (copy on file with Government Efficiency Task Force staff).

³ *Id.* at p. 1.

⁴ The scope of this research was to analyze the State Contract Management System database. The judicial branch also contracts for mental health services. In Fiscal Year 2010-11, the Justice Administrative Commission paid \$6.3 million for contracts with approximately 400 mental health experts for assessments. The state court circuits paid \$5.6 million for contracts with approximately 600 experts for assessments and testimony. *Id.*

⁵ OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 1-2 (copy on file with Government Efficiency Task Force staff).

⁶ *Id.* at p. 2.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ Source: OPPAGA analysis of State Contract Management System database. *Id.* at p. 2.

Exhibit 2 describes the types of services provided and populations served by these agencies.

Exhibit 2
Agencies with Substance Abuse and Mental Health Contracts Provide Various Services¹¹

Agency	Description of Contracted Services
Agency for Health Care Administration	These contracts include the prepaid mental health plans that serve Medicaid recipients, and the Statewide Inpatient Psychiatric Program that serves Medicaid recipients 17 years of age or younger who require placement in a psychiatric residential setting due to serious mental illness or emotional disturbance. The data does not include expenditures for behavioral health care provided by Health Maintenance Organizations or Provider Service Networks, but does include prepaid mental health plans. The agency also has a contract for utilization management and a small number of research contracts with state universities.
Department of Children and Families	These contracts primarily are for a range of community-based services, including alcohol prevention programs in schools and Florida Assertive Community Treatment (FACT) teams that serve to prevent psychiatric hospitalizations. ¹ They also include a limited number of contracts at the state mental health institutions for both direct services, such as therapists, and indirect services, such as food services, and a limited number of contracts for indirect services, such as training for personnel who are involved in involuntary commitment of individuals into the mental health system. The contracts also include the managing entity organizations, which are organized in a regional system of care for substance abuse and mental health clients. ²
Department of Corrections	These contracts primarily provide services, such as group therapy, to offenders on community supervision. A limited number of contracts provide mental health services to inmates in correctional facilities.
Department of Juvenile Justice	These contracts provide services, such as psychiatric evaluations, for juveniles in detention centers and services such as crisis intervention, psychotropic medication management, and suicide prevention for juveniles with a mental health diagnosis at residential facilities.
Department of Health	These contracts provide a range of community-based services including interventions for medical licensees with substance abuse or mental health problems, group counseling for HIV/AIDS patients, and home-based visits for mothers of children at risk of abuse or neglect.

¹ Individuals served by FACT teams must meet the definition of mental illness as specified in Chapter 394, F.S.

² These entities will replace the department's current substance abuse and mental health contracts, thereby reducing the overall number of department contracts.

B. ISSUES

Exhibit 3 shows that in Fiscal Year 2010-11, a total of 369 vendors held the 641 contracts with the five agencies (an average of 1.7 contracts per vendor).¹² The average number of contracts per vendor ranged from 1 for DOH to 2.1 for DJJ. In addition, 48 of these vendors had contracts with multiple agencies. While most of these vendors had only two contracts, one vendor held 20 active substance abuse and mental health contracts with two agencies in Fiscal Year 2010-11.¹³

Exhibit 3
In Fiscal Year 2010-11, 369 Vendors Held 641 Substance Abuse and Mental Health Contracts¹⁴

Agency	Number of Contracts	Number of Vendors	Average Number of Contracts per Vendor
Agency for Health Care Administration	31	21	1.5
Department of Children and Families	368	267	1.4
Department of Corrections	77	50	1.5
Department of Juvenile Justice	154	74	2.1
Department of Health	11	11	1
Total	641	369¹	1.7

¹ The total number of vendors does not equal the sum of the number of agency vendors. The total is adjusted so that there is not a duplicate count of vendors that have contracts with multiple agencies.

¹¹ Source: OPPAGA analysis of State Contract Management System database and interviews with agency staff. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 2 (copy on file with Government Efficiency Task Force staff).

¹² The Florida Accounting and Information Resource (FLAIR) System included the tax status for 262 of the vendors in this study. Of these, 178 (68%) have a status of not-for-profit. *Id* at p 3.

¹³ *Id* at p. 3.

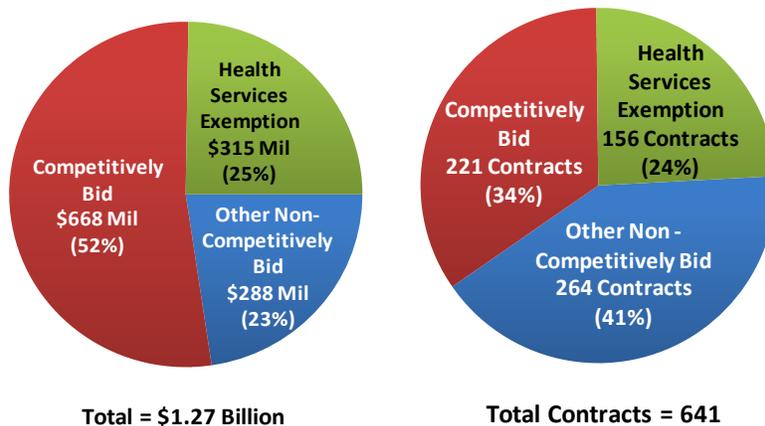
¹⁴ Source: OPPAGA analysis of State Contract Management System database and agency data. *Id* at p. 3.

Competitively procured substance abuse and mental health contracts account for 52% of \$1.27 billion. Section 287.057, F.S., provides that unless otherwise authorized by law, all contracts for the purchase of commodities or contractual services in excess of \$35,000 shall be awarded by competitive procurement. The dollar value of the contracts held in Fiscal Year 2010-11 that were competitively procured was \$668 million, or 52% of the \$1.27 billion worth of contracts identified in the State Contract Management System.¹⁵ State agencies made most of these competitive procurements through methods such as requests for proposals.

Florida law also provides specific exemptions from competitive procurement, including a “health services exemption.”¹⁶ The health services exemption is designated for commodities or contractual services for health services involving examination, diagnosis, treatment, prevention, medical consultation, or administration. In Fiscal Year 2010-11, 24% of all substance abuse and mental health contracts were executed under the health services exemption. The dollar value of the contracts held in Fiscal Year 2010-11 that were executed under the health services exemption was \$315 million.¹⁷ A variety of procurement methods are used for mental health and substance abuse (see Exhibit 4).

Exhibit 4
Percent of Contract Dollars By Agency By Procurement¹⁸

Agency	Competitive Bid	Health Services Exempt	Other Non-Competitive	Total
DCF	20 %	40%	40%	\$630 Million
AHCA	85%	14%	1%	\$447 Million
DJJ	87%	0%	13%	\$152 Million
DOC	67%	0%	33%	\$39 Million
DOH	1%	99%	0%	\$2.9 Million
Total	52%	25%	23%	\$1,270 Million



In order to assess the range of prices for these services, OPPAGA reviewed a sample of 87 contracts from DCF, DOC, and DJJ.¹⁹ The analysis focused on services in each agency using that agency’s service definitions. Prices paid for the same service varied within each agency (see Exhibit 6). In some cases, the prices were different due to factors related to the level of care required by the recipient and the type of security each agency needs to provide. For example, the price of bed days ranged from \$19 for adults who voluntarily

¹⁵ OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff).

¹⁶ See s. 287.057(3)(f)5., F.S.

¹⁷ The remaining agency spending for Fiscal Year 2010-11 was on substance abuse and mental health contracts that were procured using other exemptions. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff)

¹⁸ Source: Analysis of State Contract Management System database. Data provided by Senate Budget Office.

¹⁹ The Agency for Health Care Administration was from this sample because 11 of its contracts will not be renewed due to changes in state Medicaid law and 15 contracts are for Statewide Inpatient Psychiatric Program services, for which policy options may not apply due to federal requirements the facilities must meet. The Department of Health had a relatively small number of contracts; policy options would still apply to the department. *Id* at p. 3.

received substance abuse services while residing at a religious organization’s facility to \$338 for 24-hour intensive services provided to adolescent girls with mental health and substance abuse issues at a secure facility.

As shown in Exhibit 6, agencies sometimes paid different unit prices for similar types of services. For example, DOC held a contract that paid \$14 per person for adults receiving mandatory community-based outpatient group counseling for substance abuse but also held another contract that paid \$24 per person for this service. Exhibit 6 shows the range of prices for the 14 service categories that were included in five or more contracts.²⁰

Exhibit 6
Agencies Pay Different Unit Prices for Similar Services²¹

Service Category	Agency	Mean	Minimum	Maximum
Comprehensive Evaluations Level II ²	DJJ	\$450	\$350	\$550
Comprehensive Evaluations Level III ²	DJJ	717	550	750
Mental Health and Substance Abuse Treatment Services	DJJ	57	25	200
Residential Level II (Intensive Mental Health and Substance Abuse Care) ³	DCF	156	83	213
Comprehensive Evaluations Level I ²	DJJ	267	250	350
Outpatient (Individual or Group Therapy) ¹	DCF	53	12	84
Individual Counseling (Community-Based Outpatient Substance Abuse)	DOC	41	11	56
Community-Based Residential Program (Short-Term/Non secure)	DOC	40	19	53
Treatment Plan Review (Community-Based Outpatient Substance Abuse)	DOC	28	10	42
Intake-Screening (Community-Based Outpatient Substance Abuse)	DOC	50	42	53
Group Counseling (Community-Based Outpatient Substance Abuse)	DOC	20	14	24
Substance Abuse Education and Life Skills Training	DOC	19	14	24
Aftercare Groups (Counseling After Completing a Treatment Program)	DOC	19	14	24
Outreach (Education and Engagement of At-risk Groups)	DCF	44	42	46

¹ Outpatient services provide a therapeutic environment designed to improve the functioning or prevent further deterioration.

² Comprehensive evaluations levels depend on the need level of youth served; level I evaluations are for lowest-need youth. Evaluations are a service many vendors provide to state agencies in different forms and for a range of unit costs. The Department of Children and Families pays vendors a maximum unit cost of \$85.91. The Justice Administrative Commission pays vendors to provide pre-trial competency or sanity evaluations, pre-trial forensic exams, evaluations for departure hearings, and psychological evaluations for juvenile cases; the rates per evaluation range from \$150 to \$625. While Florida’s State Courts System contracts for evaluations, staff could provide costs. In addition, the Agency for Health Care Administration sets Medicaid fee-for-service evaluation rates at a maximum unit cost of \$150 if conducted by non-physician staff and \$210 if conducted by a physician.

³ Residential Level II facilities are licensed, structured rehabilitation-oriented group facilities that provide supervision 24 hours per day, seven days per week. Persons who live in Level II facilities have significant deficits in independent living skills and need extensive support and supervision.

Change and Efficiency

Recommendations:

The Subcommittee recommends that agencies utilize common metrics for contracts when procuring mental health and substance abuse services. As demonstrated in Exhibit 6, variation in unit price exists within agencies. By examining standard definitions of services, unit pricing, and common outcome measures, agencies can attain greater understanding for providing mental health and substance abuse services.

A study should be completed by regions of the state utilizing a consumer price index for services to identify common metrics for substance abuse and mental health contracts. Where practical, such metrics should be used in all mental health and substance abuse service contracts, both by state agencies and any purchasing agents who procure services on behalf of the state. This would improve accountability and procurement of

²⁰ OPPAGA compared charges for Medicaid’s fee-for-service behavioral health services to unit costs for services presented in Exhibit 4 and found comparable service categories for four services: group and individual counseling, intake-screening, and treatment plan review. Medicaid reimbursement rates were higher than the maximum costs for group and individual counseling and treatment plan review. Rates for intake-screening fell within the range of unit prices paid by other agencies. *Id* at p. 3-4.

²¹ Source: OPPAGA analysis of contracts in the State Contract Management System database. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff).

services and allow agencies and purchasing entities visibility into what other programs and agencies pay for similar services.

The Subcommittee recommends ensuring unit price information is available to all agencies and requiring agencies to check pricing for mental health and substance abuse services. Using common definitions of services and standard units of measure, agencies should enter unit prices in the State Contract Management System for all mental health and substance abuse contracts. The Department of Management Services should calculate average unit prices for each service in State Contract Management System. Agencies should then be required to review unit prices for the service prior to contracting. If an agency chooses to procure a service at a unit price higher than the average, it would have to justify this action. This requirement should be extended to entities that purchase services on behalf of the state to ensure financial accountability.

The Subcommittee recommends that agencies make greater use of pooled purchasing arrangements when cost effective. There are two options that agencies can utilize to strategically pool the procurement of mental health and substance abuse services.

First, the Department of Management Services should work in conjunction with the Department of Children and Families, as the state's subject matter expert, to determine the feasibility of regional or state term contracts for mental health and substance abuse services. This would allow the agencies to collectively leverage their buying power and achieve saving through economies of scale.

Second, allowing other state agencies to purchase mental health and substance abuse services through purchasing entities may be considered. Regional purchasing entities, such as the managing entities provided by ch. 2008-243, L.O.F., could broker mental health and substance abuse services for state agencies using Florida's state term contract methodology, if favorable unit pricing could be achieved.

Implementing the above recommendations is estimated to achieve a cost savings of 6%-8%, or **\$72- \$96 million** per year based on current annual expenditures. Over four years, the total savings equates to a \$288-\$384 million for mental health and substance abuse services for Florida.



Government Efficiency Task Force

Recommendations on Procurement of Mental Health and Substance Abuse Services

Subcommittee on Health and
Human Services

Robert Rohrlack, Chair

June 6, 2012



Government Efficiency Task Force

Mental Health and Substance Abuse Services

- Five state agencies contract with providers to deliver mental health and substance abuse services:
 - Agency for Health Care Administration
 - Department of Children and Families
 - Department of Corrections
 - Department of Juvenile Justice
 - Department of Health
- Directed by the Legislature, the Office of Program Policy Analysis and Government Accountability reviewed and analyzed state agency contracts.
- OPPAGA found that agencies held a total of 641 contracts valued at \$1.27 billion for Fiscal Year 2010-11.



Issues

- Vendors held contracts with multiple agencies, including one vendor holding 20 active contracts with two agencies.
- Each agency created its own service definitions.
- Many contracts were not competitively procured.
- Agencies paid different unit prices for the same or similar services.



Government Efficiency Task Force

Agency Unit Prices for Similar Services

Service Category	Agency	Mean	Minimum	Maximum
Comprehensive Evaluations Level II	DJJ	\$450	\$350	\$550
Comprehensive Evaluations Level III	DJJ	717	550	750
Mental Health and Substance Abuse Treatment Services	DJJ	57	25	200
Residential Level II (Intensive Mental Health and Substance Abuse Care)	DCF	156	83	213
Comprehensive Evaluations Level I	DJJ	267	250	350
Outpatient (Individual or Group Therapy)	DCF	53	12	84
Individual Counseling (Community-Based Outpatient Substance Abuse)	DOC	41	11	56
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Intake-Screening (Community-Based Outpatient Substance Abuse)	DOC	50	42	53
Group Counseling (Community-Based Outpatient Substance Abuse)	DOC	20	14	24
Substance Abuse Education and Life Skills Training	DOC	19	14	24
Aftercare Groups (Counseling After Completing a Treatment Program)	DOC	19	14	24
Outreach (Education and Engagement of At-risk Groups)	DCF	44	42	46

Source: OPPAGA analysis of a sample of 87 contracts obtained from DCF, DJJ, and DOC. These were contracts that were included in the State Contract Management System database.



Recommendations

- **Agencies should utilize common metrics for contracts when procuring mental health and substance abuse services. These metrics should include standard definitions of services, unit pricing, and common outcome measures.**
- **A study should be completed utilizing a consumer price index to identify common pricing metrics for services by region.**



Recommendations

- **Unit price information should be made available to all agencies.**
- **Agencies should be required to review unit prices for services prior to contracting. If an agency chooses to procure a service at a unit price higher than the average, it would have to justify this action.**
- **Agencies should make greater use of pooled purchasing arrangements when cost effective, e.g. purchasing entities and regional or state term contracts.**



Savings

- **Implementing these recommendations is estimated to achieve a cost savings of 6% - 8%, or \$72 - \$ 96 million per year based on current annual expenditures.**



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Recommendation Analysis

Subject Matter: Criminal Justice

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

RECOMMENDATION SUMMARY

On May 17, 2012, the Subcommittee on Health and Human Services voted to approve the following recommendations regarding criminal justice:

- Provide the Department of Corrections (department) with flexibility to develop and implement cost savings initiatives, in conjunction with counties. The department should have the flexibility to implement new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements, while achieving cost savings. Counties should be able to submit cost savings proposals to the department and appeal decisions to the Governor and Cabinet.
- Provide incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state. Incentives should be created for arrangements that promote flexibility and produce mutually-beneficial arrangements for the state and counties. Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.
- Investigate implementation of a web-based risk and needs assessment tool for use at time of sentencing. Estimated costs for sentencing options should be included in the tool to allow judges to weigh projected results with estimated costs of sentences. The tool should be made available to judges at the time of sentencing and to the public through a web portal.
- Perform a study to determine the potential cost savings resulting from a risk and needs assessment tool.
- Stakeholders should develop recommendations to the Legislature for increasing flexibility in sentencing guidelines. Judges should be provided with the flexibility to consider the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism reduction, and protection of public safety, as well as cost.

FULL RECOMMENDATION(S) ANALYSIS

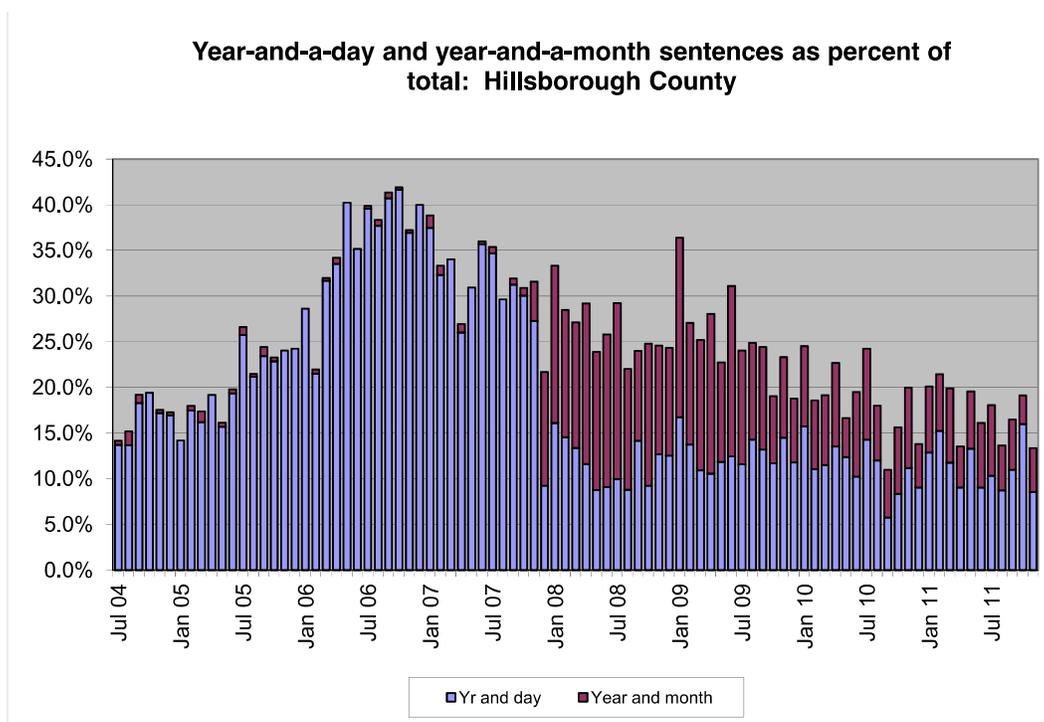
I. BACKGROUND AND RECOMMENDATION(S)

A. STATE AND LOCAL INCARCERATION

State and Local Incarceration in Florida

In Florida, defendants whose sentences include incarceration for one year or less are incarcerated in local prisons. The county in which the individual is incarcerated pays the costs of incarceration in local facilities. If a defendant is sentenced to incarceration for a year and a day or longer, the individual is placed in a state facility and the state pays the costs of incarceration.¹

Year-and-a-day commitments rose to a peak of 17.7% of all new sentences in FY 2006-2007.² Attempts to reduce year-and-a-day commitments resulted in a decrease to 8.4% of all new sentences in FY 2010-2011.³ It has been suggested that this reduction reflects a shift to year-and-a-month sentences, rather than shorter sentences resulting in local incarceration, as demonstrated in the graph below comparing year-and-a-day and year-and-a-month sentences in Hillsborough County.⁴



At the time of sentencing, many offenders have already served a portion of their sentence in jail, pending disposition of the case. If the prisoner is then sentenced for a term of incarceration longer than a year, he or she is transferred to a state facility. Each prisoner transferred to a state facility is first transported to a reception center.⁵

For FY 2010-2011, the department reported an average per diem of \$53.35 for all facilities, \$42.36 for adult male custody facilities, \$63.12 for male youthful offender custody facilities, and \$69.74 for adult and youthful

¹ See s. 944.17(3), F.S.

² "Criminal Justice Trends," Criminal Justice Estimating Conference, December 14, 2011, p. 35, <http://edr.state.fl.us/content/conferences/criminaljustice/trends.pdf> (last accessed 05/02/2012).

³ *Id.*

⁴ *Id.* at p. 37.

⁵ See s. 944.17(3), F.S.

female custody facilities.⁶ Reception centers average a higher per diem of \$96.90.⁷ Because of the higher cost of reception centers, the overall cost of a sentence just over a year in length, which requires transferring the prisoner to a state facility, may be more per inmate than a sentence just under a year, which is served in a local facility only.

Incentives for Local Incarceration

California, Colorado, Illinois, Kansas, and Texas provide incentives to localities for successfully supervising offenders in the community instead of sending them to state prison.⁸ Under these arrangements, local correctional agencies receive state funding and other assistance to implement community-based programming with the goal of reducing recidivism and supervision violations that result in probation revocations.⁹

In Illinois, the Crime Reduction Act¹⁰ established the Adult Redeploy Illinois program, which provides financial incentives to local jurisdictions for designing and utilizing community-based programs to treat offenders instead of sending them to state facilities. Texas utilizes a grant program for counties to implement a system of progressive community-based sanctions.¹¹ California provides funding to counties for implementing community-based sanctions for probation and parole violations in lieu of prison.¹² In the first year of implementation of a law providing funding to counties for implementing community-based sanctions, Arizona experienced a 14.5 percent decrease in probation revocations to prison.¹³

A potential issue with incentive programs is that data reported by localities may not accurately reflect true diversion from state facilities. In order to receive incentive funds, localities may improperly report diversions of individuals who would have been sentenced to local jails or community-based alternatives without the incentives in place. Other concerns about increasing community-based sanctions include potential for absconding.

B. ELECTRONIC MONITORING

Electronic monitoring (EM) by location tracking devices can be used as an aid in supervising pre-trial releasees and sentenced offenders who are not incarcerated. In Florida, electronic monitoring is primarily used by DOC to provide an extra measure of security for high-risk offenders under some form of community supervision, particularly sex offenders. In recent years there have been proposals to reduce corrections costs by replacing all or part of a term of incarceration of low-risk offenders with less expensive community supervision, including EM. In addition to reducing costs, it has been suggested that use of EM may support successful reentry into the community by providing for a period of supervision before release from custody.

⁶ Department of Corrections, "2010-2011 Annual Report," 2011, p. 7, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last accessed 05/02/2012).

⁷ *Id.*

⁸ National Conference of State Legislatures (NCSL), "Innovations in Community Corrections," 2010, p. 2, <http://www.ncsl.org/documents/cj/pew/innovations.pdf> (last accessed 05/02/2012).

⁹ *Id.*

¹⁰ See 730 ILL. COMP. Stat. 190 (2012).

¹¹ See TEX. CODE ANN. §509.0017 (2011).

¹² See CAL. PENAL CODE §1228-1233.8 (2012).

¹³ See ARIZ. REV. STAT. ANN. §12-270 (2011) (repealed 2011). The law was first implemented during FY 2009-2010. Due to state budget shortfalls, the Arizona Legislature suspended reinvestment of savings in communities for FY 2010-2011. National Conference of State Legislatures (NCSL), "Innovations in Community Corrections," 2010, p. 2, <http://www.ncsl.org/documents/cj/pew/innovations.pdf> (last accessed 05/02/2012).

Requirements for Electronic Monitoring in Florida

Chapter 948, F.S., permits a sentencing court to order EM for offenders placed on probation or community control.¹⁴ The Florida Parole Commission may also use EM as a condition of post-release supervision.¹⁵ In some cases, the court is required to order EM due to the offender's current or past offenses.¹⁶ The most stringent requirement is found in s. 948.012, F.S., which requires a minimum 25-year prison sentence followed by lifetime supervision with electronic monitoring for any adult offender who commits lewd or lascivious molestation against a child under 12 years of age.¹⁷ EM is a required condition for offenders placed on sex offender probation for certain sex offenses, but can only be ordered "when deemed necessary by the community control or probation officer and his or her supervisor, and ordered by the court at the recommendation of the Department of Corrections."¹⁸

Apart from the statutory authority given to the courts, DOC has discretion pursuant to s. 948.11(1), F.S., to place a community controllee on EM. The department does not exercise this discretion based on case law that an offender's failure to submit to EM ordered by the department cannot be a basis for revocation of community control.¹⁹

As of February 29, 2012, the department was actively supervising 114,761 offenders on some form of supervision in the community.²⁰ Of those offenders, 2,984 were being electronically monitored, with the majority (2,981) monitored by global positioning system (GPS) and the remaining 3 by radio frequency (RF) systems.²¹ Of the monitored offenders, 1,934 were sex offenders or sexual predators.²²

Electronic Monitoring Systems and Costs

EM systems mainly consist of two types: radio frequency (RF) monitoring or global positioning system (GPS) monitoring. Early EM systems used RF technology to alert or record an instance when the offender left a restricted area. These systems were typically used to monitor individuals under house arrest and do not provide information about the offender's location when the offender moves outside the range of the receiver.

In 2011, Florida's RF monitoring cost was \$1.97 per day per monitored offender, making RF the least expensive form of electronic monitoring. RF system limitations and laws requiring use of monitoring with location tracking technology for sex offenders have led to reduced use by the department.²³

¹⁴ Section 948.101(1)(d), F.S., specifically provides that a court may order electronic monitoring as a condition of community control for any offender. Section 948.03(2), F.S. authorizes a sentencing court to order special conditions of probation not specifically set forth in statute.

¹⁵ The Parole Commission's discretionary authority is authorized by s. 947.18, F.S., (parole), s. 947.1405, F.S., (conditional release), and s. 947.149, F.S., (conditional medical release).

¹⁶ For example, *see* ss. 775.082(3), 947.1405, 948.012, and 948.30(3), F.S.

¹⁷ *See* s. 800.04(5)(b), F.S.

¹⁸ Section 948.30(2)(e), F.S. The Jessica Lunsford Act, Ch. 2005-28, L.O.F., made significant changes to Florida's electronic monitoring program. Among the provisions of the Act were requirements for electronic monitoring of certain sex offenders. Before passage of the Jessica Lunsford Act, the only statute mandating the sentencing court to require electronic monitoring was found in s. 948.101(1)(b), F.S., and applied only to offenders placed on criminal quarantine community control for criminal transmission of HIV. No offenders were ever placed on this form of community supervision and it was removed from the statutes in 2010.

¹⁹ *See Carson v. State*, 531 So. 2d 1069 (Fla. 4th DCA 1988) and *Anthony v. State*, 854 So. 2d 744 (Fla. 2d DCA 2003).

²⁰ Another 30,768 offenders were in active-suspense supervision status, meaning that the offender was unavailable for direct supervision for reasons such as incarceration or hospitalization, but was still being monitored by a probation officer. Additionally, the department was monitoring 6,520 offenders whose supervision had been transferred out of state, and 29,342 offenders had absconded from supervision. Florida's Community Supervision population Monthly Status Report, February 2012, Department of Corrections, p. 3, <http://www.dc.state.fl.us/pub/spop/2012/02/0212.pdf> (last accessed 05/02/2012).

²¹ *Id.* at p. 2.

²² Florida's Community Supervision population Monthly Status Report, February 2012, Department of Corrections, p. 2, <http://www.dc.state.fl.us/pub/spop/2012/02/0212.pdf> (last accessed 05/02/2012).

²³ The Jessica Lunsford Act requires the department to use "a system that actively monitors and identifies the offender's location and timely reports or records the offender's presence near or within a crime scene or in a prohibited area or the offender's departure from

GPS technology allows tracking of an offender's location even when he or she moves away from a fixed location using satellite positioning. Active GPS monitoring provides real-time reporting of an offender's location by incorporating a cell phone into the equipment in order to transmit location coordinates to a monitoring station. The monitoring station alerts the probation officer when the offender either leaves an area to which he or she is restricted or enters an area from which he or she is barred. An active GPS monitoring system includes a Mobile Tracking Device (MTD) that receives, stores, and transmits the location data as well as displays messages and instructions from the monitoring station or probation officer. In 2011, Florida's GPS monitoring cost was approximately \$8.94 per day per monitored offender.

Section 948.09, F.S., requires the monitored offender to pay the full cost of the electronic monitoring services. The department has authority to exempt the offender from all or part of the payment under certain circumstances, such as inability to find a job.²⁴ Willful failure to pay non-exempted monitoring costs is grounds for the court to find a violation of the conditions of supervision. Few offenders have the financial resources to pay this amount on top of restitution, court costs, supervision fees, and other fees that have priority for payment.

Impact of Electronic Monitoring on Supervision

In 2010, researchers from the Florida State University College of Criminology and Criminal Justice submitted a report to the United States Department of Justice that addressed whether EM is "an effective and cost efficient correctional strategy that increases the level of monitoring and supervision of high-risk offenders while maintaining public safety."²⁵ The study found that:

- Overall, EM reduces the likelihood that an offender will not successfully complete community supervision by approximately 31% relative to the supervision failure rate of offenders who are not subject to it.²⁶
- EM significantly reduces the failure rate for all types of offenders, but has less of an impact on violent offenders than on offenders who committed sex, drug, property, or other types of crimes.²⁷
- Offenders who were monitored by use of active GPS monitoring had a 6% improvement rate in the reduction of supervision failures relative to offenders who were on RF monitoring.²⁸

The study also noted drawbacks of EM, including:

- Offenders believe EM has negative consequences on their relationships with their spouses, significant others, and children, and a large proportion felt shame and were stigmatized by others disproportionate to their actions as a result of being on EM.²⁹
- Offenders and officers were nearly unanimous in stating that EM is a detriment to ability to obtain and maintain employment.³⁰

A previous study conducted by researchers at Florida State University found significant reductions in absconding and in revocations for technical violations or new offenses among electronically monitored

specified geographic limitations" for any court-ordered EM of a probationer, community controlee, or conditional release who has a conviction for a violent or sexual offense. See s. 948.11(6), F.S.

²⁴ Section 948.09(2) and (3), F.S.

²⁵ Bales, Bill, et al, *A Quantitative and Qualitative Assessment of Electronic Monitoring*, The Florida State University College of Criminology and Criminal Justice, Center for Criminology and Public Policy Research, January 2010, p. 5, <https://www.ncjrs.gov/pdffiles1/nij/grants/230530.pdf> (last accessed 05/02/2012).

²⁶ *Id.* at p. 64.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.* at p. xi.

³⁰ *Id.*

offenders as compared to those who were not electronically-monitored. The study also found that electronic monitoring was effective across a range of violent, property, and drug offenders.³¹

The National Conference of State Legislatures Sentencing and Corrections Work Group provided that the value of intermediate sanctions, including EM, “depends upon policies that target resources effectively and focus the highest-level supervision on the highest-risk offenders. Creating more intensive supervision for lower-risk offenders usually does not help meet corrections goals, affect cost control, or reduce reoffending.”³² When used in lieu of incarceration, the Work Group noted that EM can benefit offenders by allowing them to continue working, attend treatment, support their families, and remain in their residences.³³

The Office of Program Policy Analysis and Government Accountability (OPPAGA) found that in addition to offender costs for EM, logistical problems may occur in monitoring homeless persons lacking a permanent residence and ability to recharge the unit for eight hours each day. Additionally, in rural areas offenders may be unable to acquire cellular signal for GPS monitoring, and offenders may not meet land-line telephone requirements for RF monitoring.³⁴

In a 2010 report, OPPAGA found that increased use of intermediate sanctions, including community supervision with electronic monitoring, could reduce prison costs, but also has both positive and negative considerations.³⁵ OPPAGA determined that although the majority of persons on EM were sex offenders (70%), non-violent offenders with a Criminal Punishment Code score sheet total in the 45-60 point range are another population that may be effectively sanctioned with EM.³⁶ EM could be used as a sentencing alternative for persons driving with suspended licenses.³⁷ OPPAGA estimated potential savings of \$1.2 million in the first year for every 100 offenders diverted from prison to EM supervision.³⁸

Change and Efficiency

Recommendations:

The Subcommittee recommends providing the Department of Corrections with flexibility to develop and implement cost savings initiatives, in conjunction with counties. The department should have the flexibility to implement new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements, while achieving cost savings. Counties should be able to submit cost savings proposals to the department and appeal decisions to the Governor and Cabinet.

The Subcommittee recommends providing incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state. Incentives should be created for arrangements that

³¹ Padgett, Kathy G., William D. Bales and Thomas G. Blomberg, “Under Surveillance: An Empirical Test of the Effectiveness and Consequences of Electronic Monitoring,” *Criminology & Public Policy* 5/1, February 2006, <http://ccoso.org/undersurveillance.pdf> (last accessed 05/08/2012).

³² NCSL Sentencing and Corrections Work Group, “Principles of Effective State Sentencing and Corrections Policy,” August 2011, p. 11, <http://www.ncsl.org/documents/cj/pew/WGprinciplesreport.pdf> (last accessed 05/02/2012).

³³ *Id.* at p. 12.

³⁴ OPPAGA, Report 10-27, “Intermediate Sanctions for Non-Violent Offenders Could Produce Savings,” March 2010, p. 5 <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1027rpt.pdf> (last accessed 05/02/2012).

³⁵ *Id.* at p. 2.

³⁶ Section 921.0024, F.S., provides a score sheet for determining the lowest permissible prison sentence under the Criminal Punishment Code. The lowest permissible sentence for an offender with 45 or 60 points is 12 or 24 months, respectively. *Id.* at p. 4.

³⁷ This sanction already exists within the state corrections system but is not commonly used by judges at sentencing. OPPAGA, Report No. 08-12, “Several Alternatives Could Be Used to Reduce Increasing Imprisonment of Persons Driving with Suspended Licenses,” March 2008, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0812rpt.pdf> (last accessed 05/02/2012).

³⁸ This assumes that 75% of diversions will result in successful outcomes. Savings estimate includes expanding the number of probation officers employed by DOC to serve additional offenders. OPPAGA Report No. 10-27, “Intermediate Sanctions for Non-Violent Offenders Could Produce Savings,” March 2010, p. 3-5, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1027rpt.pdf> (last accessed 05/02/2012).

promote flexibility and produce mutually-beneficial arrangements for the state and counties. Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.

C. RISK AND NEEDS ASSESSMENT INSTRUMENTS

Florida's Sentencing Policies

Florida's sentencing policies use items such as nature of the primary offense and any additional offenses, prior criminal history, and injury to the victim to calculate a recommended sentence for the offender. This type of determinant sentencing is put forth in the Criminal Punishment Code.³⁹ Section 921.002(1)(b), F.S., provides, "The primary purpose of sentencing is to punish the offender. Rehabilitation is a desired goal of the criminal justice system but is subordinate to the goal of punishment."⁴⁰ To this end, the Criminal Punishment Code provides that sentences should be commensurate with the severity and circumstances of the primary offense, increase with the length and nature of the offender's prior record, and prioritize incarceration toward offenders of serious offenses and those with long prior records.⁴¹

A sentencing scoresheet must be completed for each felony defendant prior to sentencing.⁴² The offender's score determines the lowest permissible sentence, with upward discretion to the statutory maximum sentence. Florida's sentencing guidelines scoring system has been shown to serve as a valid indicator of offender seriousness.⁴³ The weighted score produced by this system takes into account an offender's primary offense and all additional offenses, his or her prior record and the seriousness of prior offenses, and other circumstances of the criminal event (victim injury, weapon use, supervision violation, etc.). A study by Padgett, Bales, and Blomberg stated that "In the absence of risk scores derived from psychological or other such inventories, this indicator of offender seriousness is the best available quantitative measure of the risk an offender poses to public safety."⁴⁴

Sentencing Tools

Actuarial risk and needs assessment tools use data about past cases to identify the indicators most closely associated with the likelihood of future criminality. After validation through testing on a known correctional population, this data is applied to individual offenders to produce recommendations based on offender characteristics, criminal history, and severity of current offense.

Once used largely by probation and parole departments to help determine the best supervision and treatment strategies for offenders, use of risk and needs assessment tools is expanding to inform decisions at other points in the criminal justice process. At sentencing, risk and needs assessments are intended to assist judges by providing information on risk management and reduction. Costs of different sentencing options may also be included in results. Judges consider this information in balancing the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism, and public safety.

³⁹ See s. 921.002, F.S.

⁴⁰ Section 921.002(1)(b), F.S.

⁴¹ Section 921.002(1), F.S.

⁴² Section 921.0024(7), F.S. The Florida Criminal Punishment Code worksheet is provided in s. 921.0024(1), F.S.

⁴³ Burton, Susan E., et al., "Applying a Crime Seriousness Scale to Measure Changes in the Severity of Offenses by Individuals Arrested in Florida," *Justice Research and Policy* 6/1, 2004.

⁴⁴ Padgett, Kathy G., William D. Bales and Thomas G. Blomberg, "Under Surveillance: An Empirical Test of the Effectiveness and Consequences of Electronic Monitoring," *Criminology & Public Policy* 5/1, February 2006, p. 68, <http://ccoso.org/undersurveillance.pdf> (last accessed 05/08/2012).

Application of Risk and Needs Assessment Instruments

According to the National Center for State Courts' National Working Group on Using Risk and Needs Assessment Information at Sentencing, risk and needs assessment tools are effective in determining:

- Public safety and risk management;
- Amenability to probation, community supervision, and intermediate sanctions;
- Effective behavioral treatment options;
- Suspension of all or part of a sentence; and
- Effective conditions of probation and responses to violations.⁴⁵

The Pew Center on the States has found that “whether a particular offender is an appropriate candidate for recidivism reduction cannot accurately be assessed relying solely on the type of offense committed and the offender’s prior criminal history. Individual offender characteristics must also be taken into consideration.”⁴⁶ Pew recommends providing sufficient flexibility to consider recidivism reduction options and that state sentencing rules should avoid mandates that prohibit judges from granting probation.⁴⁷

Alabama, Oregon, California, Arizona, Idaho, South Carolina, Utah, Washington, and Wisconsin have implemented evidence-based sentencing or declared recidivism reduction a goal of sentencing in recent years. Studies have found that actuarial risk and needs assessment tools that use data on prior cases to identify the likelihood of future criminality can be as accurate as human judgment in predicting risk of recidivism, but recommend use of both a third-generation actuarial toll and professional judgment.⁴⁸

The first state supreme court decision to discuss the use of risk and needs information at sentencing was in Indiana in *Malenchik v. State*.⁴⁹ In the decision, the Indiana Supreme Court distinguishes use of risk and needs assessment for sentencing alternatives for risk and recidivism management from sentencing as a punishment for criminal behavior. The *Malenchik* decision provides that risk and needs “evaluations and their scores are not intended to serve as aggravating or mitigating circumstances nor to determine the gross length of sentence, but a trial court may employ such results in formulating the manner in which a sentence is to be served.”⁵⁰

Risk and Needs Assessments in Other States

A 2010 survey by the Vera Institute of Justice found that over 60 community supervision agencies in 41 states reported using an actuarial assessment tool.⁵¹ Of the survey respondents, 82 percent assessed both risk and need, and the remaining 18 percent assessed only risk.⁵²

⁴⁵ Casey, Pamela M., Roger K. Warren, and Jennifer K. Elek, “Using Offender Risk and Needs Assessment Information at Sentencing,” National Center for State Courts, 2011, <http://www.ncsc.org/~media/Files/PDF/Services%20and%20Experts/Areas%20of%20expertise/Sentencing%20Probation/RNA%20Guide%20Final.ashx> (last accessed 05/02/2012).

⁴⁶ Pew Center on the States, “Arming the Courts with Research: 10 Evidence-Based Sentencing Initiatives to Control Crime and Reduce Cost,” May 2009, p. 2, <http://cdpsweb.state.co.us/cccj/pdf/june%202009/pew%20arming%20the%20courts%20with%20research.pdf> (last accessed 05/02/2012).

⁴⁷ *Id.* at p. 2.

⁴⁸ See Andrews, D.A. James Bonta, and J. Stephen Wormith, “The Recent Past and Near Future of Risk and/or Need Assessment,” *Crime and Delinquency* 52, January 2006; Gendreau, Paul, Tracy Little and Claire Goggin, “A Meta-Analysis of the Predictors of Adult Offender Recidivism: What Works!” *Criminology* 34/4, 1996.

⁴⁹ *Malenchik v. State* 928 N.E.2d 564 (Ind. 2010).

⁵⁰ *Id.* at 575.

⁵¹ Responses were received from 72 agencies across 41 different states. Agencies included probation, parole, and releasing authorities. Vera Institute of Justice Center on Sentencing and Corrections memo to Illinois Risk, Assets and Needs Assessment Task Force, May

As of 2010, the Level of Service Inventory-Revised (LSI-R) was the most commonly used assessment tool and was utilized by at least 16 states.⁵³ LSI-R is used to predict recidivism across a range of correctional settings and assists determining the necessary level of supervision, sentencing, program or institutional classification, and release from custody. The tool consists of a 54-item scale in the areas of prior criminal history, education, employment, financial situation, family relationships, use of leisure time, companions, alcohol or drug use, mental health, and criminal attitudes.⁵⁴

Other assessment tools include: the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) and the Level of Service/Case Management Inventory (LS/CMI).⁵⁵ Several states use state-specific assessment tools, including Ohio, Arizona, Wisconsin, Virginia, and California.

Virginia implemented a risk assessment instrument created by a state Sentencing Commission in 2003.⁵⁶ Since that time, Virginia judges have used the tool to successfully divert 25% of Virginia's nonviolent offenders who would have otherwise been incarcerated to alternative sanctions programs.⁵⁷ Beginning in 2013, Kentucky will include risk and needs assessments in presentence reports, allowing judges to review a defendant's likelihood of future criminal behavior when considering sentencing options.⁵⁸

Missouri's Sentencing Commission developed the Recommended Sentencing Application (RSA), a web-based sentencing tool that provides extensive information about sentencing options and the risks and costs associated with each alternative.⁵⁹ RSA calculates recommended sentences, risk assessments, and recidivism projections using gender, prior felony convictions, prior misdemeanors, prior incarcerations, revocations, time since last conviction/release, recidivist offense, education, employment, substance abuse, escapes, and age. Also included in results are the estimated costs of incarceration, supervision, and community-based alternatives, allowing the judge to weigh projected results with estimated costs of sentences.⁶⁰

Change and Efficiency

Recommendations:

The Subcommittee recommends investigating implementation of a web-based risk and needs assessment tool for use at time of sentencing. Using data on the indicators most closely associated with the likelihood of future criminality, risk and needs assessment tools can provide recommended options based on the individual offender's risk of recidivating and effectiveness of various sentencing options. The state should investigate implementing a risk and needs assessment tool to provide judges with additional information

27, 2010, p. 1, http://www2.illinois.gov/idoc/Documents/National_Information_Offender_Assessments_PartII_Memo.pdf (last accessed 05/02/2012).

⁵² Nearly all responding probation agencies conduct their assessments in the pre-sentence phase. Releasing authorities were more likely to assess only risk. *Id.* at p. 1-2.

⁵³ *Id.* at p. 1.

⁵⁴ Watkins, Ian, "The Utility Level of Service Inventory – Revised (LSI-R) Assessments within NSW Correctional Environments," Corrective Services NSW Research Bulletin No. 29, January 2011, p. 2,

http://143.119.253.176/_data/assets/pdf_file/0018/302526/utility-of-level-of-service-inventory-.pdf (last accessed 05/08/2012).

⁵⁵ Vera Institute of Justice Center on Sentencing and Corrections memo to Illinois Risk, Assets and Needs Assessment Task Force, May 27, 2010, p. 1, http://www2.illinois.gov/idoc/Documents/National_Information_Offender_Assessments_PartII_Memo.pdf (last accessed 05/02/2012).

⁵⁶ See Section 17.1-803(5,6), Code of Virginia.

⁵⁷ Target populations for diversion include property and drug offenders. Warren, Roger K. "Evidence-Based Sentencing: The Application of Principles of Evidence-Based Practice to State Sentencing Practice and Policy," *University of San Francisco Law Review* 43, 2009, p. 608.

⁵⁸ NCSL Sentencing and Corrections Work Group, "Principles of Effective State Sentencing and Corrections Policy," August 2011, p. 4, <http://www.ncsl.org/documents/cj/pew/WGprinciplesreport.pdf> (last accessed 05/02/2012).

⁵⁹ The Missouri Sentencing Advisory Commission Model can be accessed at www.courts.mo.gov/rs/ (last accessed 05/02/12).

⁶⁰ See www.courts.mo.gov/rs/ (last accessed 05/02/12).

on sentencing to effectively manage and reduce risk. Estimated costs for sentencing options should be included in the tool to allow judges to weigh projected results with estimated costs of sentences. The tool should be made available to judges at the time of sentencing and to the public through a web portal.

The Subcommittee recommends performing a study to determine the potential cost savings resulting from implementing a risk and needs assessment tool. Allowing for judicial discretion at time of sentencing, an assessment tool may lead to savings if judges select appropriate sentencing options that have lower costs. A study should be performed to determine the estimated savings from implementation of an assessment tool that includes costs with recommended sentencing options.

Programs that address the individual needs of inmates and prepare them for successful re-entry into the community should be utilized when appropriate, based on assessments performed at time of sentencing and at time of intake. Educational, vocational, chemical dependency, faith, and character-based programs should be expanded as part of recidivism reduction and re-entry programs. The Subcommittee supports the recommendations on prison education programs in these areas.⁶¹

To effectively implement the recommendations, flexibility in sentencing must be provided to judges. Options presented by a risk and needs assessment tool and initiatives partnering the state and counties must be available for judges to utilize at their discretion.

The Subcommittee recommends that stakeholders develop recommendations to the Legislature for increasing flexibility in sentencing guidelines. Judges should be provided with the flexibility to consider the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism reduction, and protection of public safety, as well as cost. Judges should be given flexibility to determine the balance of these elements and most effective method of sentencing for each individual offender. Mandatory sentencing requirements should be evaluated and modified, if necessary, when determined to ineffectively limit judicial discretion.

⁶¹ The Government Efficiency Task Force Subcommittee on Education discussed the issue of prison education programs on April 9 and May 9. Meeting materials and video available at <http://www.floridaefficiency.com/meetings.cfm> (last accessed 05/16/2012).



Recommendations on Criminal Justice

Subcommittee on Health and
Human Services

Robert Rohrlack, Chair

June 6, 2012



State and Local Incarceration

- Location of incarceration determined by length:
 - Sentence of 365 days or less – local
 - Sentence of 366 days or more – state
- Many offenders have served a portion of the term in jail prior to sentencing. If sentenced to 366 days or more, the offender is then transferred to a state facility.



Local Incarceration

- Several states provide incentives to localities for successfully supervising offenders in the community instead of sending them to state prison, including California, Colorado, Illinois, Kansas, and Texas.
- In Florida, certain local options may cost less than state incarceration.



Electronic Monitoring

- Location tracking devices used in supervising pre-trial releasees and sentenced offenders who are not incarcerated.
- Two types:
 - Radio frequency
 - Global Positioning System (GPS)



Government Efficiency Task Force

Cost Comparison

State Facilities	Average Per Diem
All facilities	\$53.35
Adult male	\$42.36
Male youthful offender	\$63.12
Adult and youthful female	\$69.74
Reception center	\$96.90
Electronic Monitoring	Cost Per Day
Radio frequency	\$1.97
GPS	\$8.94



Recommendations

- **Provide the Department of Corrections (department) with flexibility to develop and implement cost savings initiatives, in conjunction with counties.**
- **Initiatives may include new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements.**
- **Counties should be able to submit cost savings proposals to the department and appeal decisions to the Governor and Cabinet.**



Recommendations

- **Provide incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state.**
- **Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.**



Risk and Needs Assessment Instruments

- Use data about past cases to identify the indicators most closely associated with the likelihood of future criminality.
- Provide sentencing options based on the individual offender's risk of recidivating and effectiveness of various sentences.
- Costs of sentencing options may also be included in results.
- Assist judges by providing information on risk management and reduction.



Recommendations

- Investigate implementation of a web-based risk and needs assessment tool, including estimated costs of sentencing options, for use at time of sentencing.
- Perform a study to determine the potential cost savings resulting from implementing a risk and needs assessment tool.



Recommendations

- Stakeholders should develop recommendations to the Legislature for increasing flexibility in sentencing guidelines.



Florida Government Efficiency Task Force

Subcommittee on Education

Recommendation Analysis

Subject Matter: Inmate Education and Re-entry

Subcommittee Members: Belinda Keiser (Chair), Senator Lizbeth Benacquisto, Ann Duncan, Michael Heekin, and Eric Silagy

RECOMMENDATION SUMMARY

On May 9, 2012, the Subcommittee on Education voted to approve the following recommendations regarding inmate education and re-entry:

- ***Individualized Inmate Re-entry Plans***
 - Create an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.
 - Consider educational needs when determining an inmate's facility placement.
 - Assessments to determine literacy skills are critical. Focus and priority should be given to this process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison.
 - Develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length
- ***Mandatory Literacy Program:***
 - Require prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a Test of Adult Basic Education (TABE).
- ***Online Education Opportunities:***
 - Investigate opportunities to introduce online and e-learning educational and vocational training in prisons.
 - Set up a pilot program to develop widely-acceptable security protocols for Internet access.
- ***Mission Driven Prisons:***
 - Convert some of Florida's prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education.
 - Align the missions of vocational education prisons to meet the needs of the employment market.
- ***Program Efficiency:***
 - Adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.
 - Expand vocational education programs.
 - Research implementation of a double-track education system.
- ***Metrics and Statistics:***
 - Conduct a cost-benefit analysis to evaluate rehabilitative programs, such as educational and vocational programs.
 - Develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the Department of Corrections (department).

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. INMATE EDUCATION

After inmate and public safety, the most important goal of the correctional system is reducing recidivism.¹ Reducing recidivism results in fewer crimes, fewer victims and cost savings for Floridians.² One way to reduce recidivism rates is to promote the successful rehabilitation and re-entry of ex-offenders. This can be implemented by providing substance abuse treatment, educational and vocational training, and by assisting inmates with community support services after their release.³

Prisoner Statistics

As of January 2012, Florida housed 100,345 inmates across 60 state prisons, including seven private prisons.⁴ The average cost per inmate is \$19,473 annually.⁵ Most of Florida's inmates (88.6 percent)⁶ will eventually be released, and of those approximately one in three will return to prison.⁷ The high budgetary demands and social costs incarceration places on the state make reducing recidivism rates a strategic investment. Rehabilitative programs, such as education and vocational training, are shown to reduce the likelihood of repeat offending, decrease inmate idleness and promote institutional security, and may also achieve cost savings.⁸ Each inmate who is successfully rehabilitated and does not return to prison saves the State of Florida at least \$19,473 each year.

According to the Department of Corrections (department), the probability of reoffending is reduced by 3.7 percent for each grade of adult basic education completed.⁹ Currently, 64 percent of the tested inmate population in Florida has not achieved General Education Development (GED) Prep literacy skills (scoring less than 9th grade level¹⁰).¹¹ Studies have also found that inmates who have a GED when released recidivate at a rate 7.9 percent less than the overall inmate population.¹² Inmates with vocational certificates are 17 percent less likely to return to prison than those without certificates, and those participating in vocational training are less likely to have disciplinary issues.¹³ Of the 2011 inmate population, those with vocational certificates were

¹ "Final Report of the Governor's Ex-Offender Task Force", November 2006, p. 9, (copy on file with Government Efficiency Task Force staff).

² Florida Department of Corrections, "Recidivism Reduction Strategic Plan", June 2009, p. 13, <http://www.dc.state.fl.us/orginfo/FinalRecidivismReductionPlan.pdf> (last visited 5/10/2012).

³ *Id.* at p. 7.

⁴ Florida Department of Corrections, "Quick Facts about the Florida Department of Corrections," Revised February 2012, <http://www.dc.state.fl.us/oth/Quickfacts.html> (last visited 5/14/12).

⁵ *Id.*

⁶ Florida Department of Corrections, "Doing Time," August 2011, <http://www.dc.state.fl.us/pub/timeserv/doing/> (last visited 5/14/12).

⁷ Florida Department of Corrections, "Quick Facts about the Florida Department of Corrections," Revised February 2012, <http://www.dc.state.fl.us/oth/Quickfacts.html> (last visited 5/14/12).

⁸ Office of Program Policy Analysis & Government Accountability (OPPAGA), "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," February 2007, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

⁹ Florida Department of Corrections, "2009 Florida Prison Recidivism Study Releases From 2001 to 2008," May 2010, p. 14, <http://www.dc.state.fl.us/secretary/press/2010/RecidivismStudy.pdf> (last visited 5/14/2012).

¹⁰ Section 1004.93(2), F.S., identifies students who must be served by the adult education program. The 9th grade reading level is the separating line between primary and secondary school. According to the law, the adult education program must serve students studying to achieve basic literacy (students who demonstrate skills below the 5th grade level); students trying to achieve functional literacy (students who demonstrate skills at or above 5th grade level but below the 9th grade level); students earning credit for a high school diploma or preparing for the GED; students who have earned a high school diploma and are pursuing a postsecondary degree, certificate career education program, or develop competence in the English language; students enrolled in lifelong learning courses; and students who enroll in courses related to recreational or leisure pursuits. *See s. 1004.93(2), F.S.*

¹¹ Florida Department of Corrections, "2010-11 Annual Report," p.34, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/16/2012).

¹² *Id.* at p. 35.

¹³ *Id.*

35 percent less likely to have received a disciplinary report that year than inmates without a certificate.¹⁴ The Office of Program Policy Analysis and Government Accountability (OPPAGA) found that inmates who earned a GED or high school diploma were 9.3 percent more likely to be employed than other inmates, and those who earned a vocational certificate were 17.9 percent more likely to be employed than other ex-offenders.¹⁵

Prisoner Education Programs

The Department of Corrections' Bureau of Re-Entry Programs and Education is responsible for the oversight and support of the department's academic and vocational education programs. In FY 2011-12, the Legislature appropriated \$2,277,324,021 to the department, of which \$21,779,443, or less than one percent (0.95%), was allocated to correctional education programs.¹⁶ The department currently allocates 299 Full Time Employees (FTE) to meet the educational needs of inmates (students) enrolled in education programs.¹⁷ Academic educational programs are operated in 53 correctional facilities with an enrollment capacity of more than 6,500 students.¹⁸ Local Education Agencies (LEA) operate programs in two additional facilities, each with an enrollment of 55 students.¹⁹ Total enrollment capacity in department-operated academic education programs is approximately 6,600 students, which is 6.5 percent of the total inmate population.²⁰ In addition to the education services provided in the 53 department-operated facilities, seven contracted facilities utilize 141.5 FTEs to provide education services for students, with an enrollment capacity of approximately 2,471 students.²¹

The department's current allocation of FTEs has enabled the number of inmates earning GED certificates to rise for the fifth year in a row. In FY 2010-11, inmates in department-operated facilities earned 2,930 GED certificates.²² Contracted facilities awarded 356 GED certificates during the same period.²³ There was a 20 percent increase in the number of vocational certificates awarded in FY 2010-11, for a total of 2,217 certificates earned in department-operated facilities.²⁴ Contracted facilities awarded 880 vocational certificates during this period.²⁵

Academic and Special Education

To assist students in achieving GED and vocational certificates, the department offers several academic programs, including:²⁶

- Adult Basic Education/General Education Development (ABE/GED);
- Special Education;
- Close Management Education (CME);

¹⁴ *Id.*

¹⁵ OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," February 2007, p. 5, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

¹⁶ Florida Department of Corrections Email, March 29, 2012, (copy on file with Government Efficiency Task Force staff).

¹⁷ *Id.*

¹⁸ Florida Department of Corrections, "Education Program Capacity, FDC-Operated Correctional Facilities," August 2011, (copy on file with Government Efficiency Task Force staff).

¹⁹ *Id.*

²⁰ *Id.*

²¹ Department of Management Services, "Operations and Management Contract," http://www.dms.myflorida.com/business_operations/bureau_of_private_prison_monitoring/facilities (last visited 5/15/12).

²² Florida Department of Corrections, "2010-11 Annual Report," p. 35, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/15/2012).

²³ Correctional Education Certificates Awarded by Facility, by Quarter FY 2010-11, October 2011 (copy on file with Government Efficiency Task Force staff).

²⁴ Florida Department of Corrections, "2010-11 Annual Report," p. 35, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/15/2012).

²⁵ Correctional Education Certificates Awarded by Facility, by Quarter FY 2010-11, October 2011 (copy on file with Government Efficiency Task Force staff).

²⁶ OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," February 2007, p. 2, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

- Inmate Teaching Assistant Program (ITA);
- Local Education Agency (LEA)-Operated Academic Education Programs;
- Volunteer Literacy Programs;
- Mandatory Literacy;
- Ready to Work; and
- Federally-Funded Academic Programs and Services.

The department offers inmates 85 vocational education courses in 36 distinct vocational trades at 33 state operated institutions. The total enrollment capacity for vocational education is 1,584 students, or 1.6 percent of the total inmate population.

Mandatory Literacy Program

The Mandatory Literacy Program is a 150-hour literacy training program required by law²⁷ for all inmates who have at least two years of their sentence remaining when received at an institution and who receive a Tests of Adult Basic Education (TABE) total battery score below grade level 6.0.²⁸ The Mandatory Literacy Program is available to all inmates who meet the program requirements, as opposed to the other academic programs offered by the department, which are not mandatory and are provided based on availability.²⁹

Recommendation:

The Subcommittee recommends requiring prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a TABE (Test of Adult Basic Education). Currently, successful completion of the Mandatory Literacy Program requires completion of 150 hours of instruction or achievement of a total battery score of 6.0 or higher on the TABE. The importance of literacy and successful completion of this program is critical to reducing recidivism. The department estimates that only 21 percent³⁰ of inmates enrolled successfully complete the Mandatory Literacy Program.³¹ The Subcommittee recommends that achievement of a total battery score of 6.0 on a TABE be the only method for successfully completing this program.

Special Education Services

Special education services are provided to inmates with disabilities who are eligible to receive special services required by state and federal law.³² The Individuals with Disabilities Education Act (IDEA) requires the department to provide free and appropriate public education in the least restrictive environment to exceptional students. Exceptional students are inmates under the age of twenty-two who have a previous special education history, have yet to obtain a high school diploma, continue to need special education and related services to benefit from participation in an educational assignment, consent to receive special education services, and have a current transition plan/individualized education plan.³³

²⁷ Section 944.801(3) (i), F.S.

²⁸ *Id.*

²⁹ OPPAGA, “Alternative Placements for the Correctional Education Program would be more Costly”, March 2008, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0816rpt.pdf> (last visited 5/16/2012).

³⁰ The Department of Corrections notes “this percent is only applicable to academic sites that provide special education programming.” Florida Department of Corrections Memo, May 2, 2012 (copy on file with Government Efficiency Task Force staff).

³¹ Florida Department of Corrections Memo, May 2, 2012, p. 1 (copy on file with Government Efficiency Task Force staff).

³² OPPAGA, “Alternative Placements for the Correctional Education Program would be more Costly”, March 2008, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0816rpt.pdf> (last visited 5/16/2012).

³³ Florida Department of Corrections, “Education Services,” <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/4/12).

Close Management Education Program

The Close Management Education Program (CME) provides close management inmates³⁴ both cell-front and correspondence-study instruction in mathematics, reading, language, and workforce readiness skills by certified academic teachers. Close management inmates are also afforded the opportunity to secure GED diplomas. CME programs are available in 5 correctional facilities.³⁵

Inmate Teaching Assistant Program

Recognizing the need to increase inmate access to education services, the department developed the Inmate Teaching Assistant Program (ITA). The ITA program provides grade-appropriate instruction in mathematics, reading, and language instruction to inmates with educational levels ranging from beginning literacy through GED. The program utilizes Inmate Teaching Assistants working under the direction and supervision of a certified teacher.³⁶ The Inmate Teaching Assistants are inmates with at least a high school diploma or GED who have received academic and practical training in various instructional methods from certified teachers.³⁷ The ITA program is available at 34 correctional facilities.³⁸

Other Programs

Local Education Agency (LEA)-Operated Academic Education Programs are available at three³⁹ facilities.⁴⁰ LEAs are federal grant-funded adult education programs provided by county school districts or community colleges.⁴¹ Volunteer Literacy Programs utilize citizen volunteers and/or Inmate Teaching Assistants who have received tutoring training to assist inmates in improving their educational abilities. This program is available at nearly all major institutions, annexes and work camps.⁴² The Ready To Work program is a Florida Department of Education sponsored employee credentialing program that tests and scores job skills.⁴³ The department also received \$4,553,864 in federal grant funding in FY 2010-11 to provide academic and exceptional education services to inmates and training to correctional educators.⁴⁴

Recommendations:

The Subcommittee recommends the Department of Corrections conduct a cost-benefit analysis to evaluate its rehabilitative programs, such as educational and vocational programs. After inmate and public safety, the most important goal of the correctional system is reducing recidivism.⁴⁵ With this in mind, the department's educational and vocational programs should be measured by their effectiveness at reducing recidivism. To make a compelling case for increased support for correctional education, the department must

³⁴ According to the department, close management is confinement of an inmate apart from the general inmate population. It is for inmates who commit acts that threaten the safety of others or the institution, or who demonstrate an inability to live in the general population without abusing the rights and privileges of others. Florida Department of Corrections, "FAQ Regarding Close Management," <http://www.dc.state.fl.us/oth/inmates/cm.html> (last visited 5/15/12).

³⁵ Florida Department of Corrections, "Education Services," <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/15/12).

³⁶ *Id.*

³⁷ Florida Department of Corrections, "Inmate Teaching Assistant Programs," <http://www.dc.state.fl.us/pub/annual/0405/pdfs/teaching.pdf> (last visited 5/15/12).

³⁸ Florida Department of Corrections, "Education Services," <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/15/12).

³⁹ Baker Work Camp, Putnam Correctional Institution, and Quincy Annex.

⁴⁰ Florida Department of Corrections Email 5/22/12, (copy on file with Government Efficiency Task Force staff).

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ "Final Report of the Governor's Ex-Offender Task Force", November 2006, p. 9 (copy on file with Government Efficiency Task Force staff).

conclusively document the contribution correctional education provides to society.⁴⁶ A cost-benefit analysis should assess outcomes of cohorts of inmates in the department's various programs and track these inmates after release. This would help identify programs that show the greatest return on investment by improving ex-inmate employment outcomes and reducing recidivism. A cost-benefit analysis will determine if increasing funding for these programs will yield overall monetary benefits and how to allocate resources most effectively.

The Subcommittee recommends the Department of Corrections develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the department. The American Correctional Association recommends that programs be evaluated every two years to assess their contribution to an institution's mission.⁴⁷ According to OPPAGA, the department occasionally evaluates some rehabilitative programs; however it does not routinely measure and report on the effectiveness of these programs.⁴⁸ A regular report on program and provider cost-effectiveness would provide standardized and transparent information to the department and the Legislature. The report should provide an assessment of programs' success in reducing recidivism and efficiency. This evaluation will enable policy makers and those that provide funding or services to determine which program goals are being met and which require more attention.⁴⁹

Issues Facing Prison Education Programs

When an inmate enters the prison system they are given the TABE, which identifies their grade level. Subsequent assessments are taken at scheduled intervals or when an inmate is transferred to a new facility.⁵⁰ Unfortunately, because of limited slots in programs, most inmates are released without addressing their educational skills deficiencies.

Recommendations:

The Subcommittee recommends focus and priority should be given to the process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison. Providing educational opportunities that will enable most people to read at the eighth-grade level, the level at which a person is considered functionally literate, should be a universal goal within corrections.⁵¹ Florida statutes define eligibility for the Mandatory Literacy Program as inmates with more than two years left on their sentence.⁵² Many inmates who require or would benefit from literacy or life skills education do not qualify for the Mandatory Literacy program because they have less than two years remaining in their sentences. Therefore, the Subcommittee recommends that the department develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length.

The Subcommittee recommends creating an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration. The goal of rehabilitation programs is to reduce recidivism, which will ultimately result in cost savings for the state. In order to accomplish this, inmates must re-enter the community with enough education or skills to avoid returning to the correctional system. An inmate's re-entry plan should begin at intake,

⁴⁶ Klein, S. and Tolbert, M., "Correctional Education," July 2004, p. 17, https://www.cedatanetwork.org/pdf/common_measures_of_perf.pdf, (last visited 5/10/2012).

⁴⁷ American Correctional Association., <http://www.aca.org/standards/revisions/pdf/StandardsProposalsforCOC2010.pdf> (last visited 3/20/2012).

⁴⁸ OPPAGA, "Department of Corrections Should Maximize Use of Best Practices in Inmate Rehabilitation Efforts," December 2009, p. 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0944rpt.pdf> (last visited 5/9/2012).

⁴⁹ Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 89, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

⁵⁰ Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 216, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

⁵¹ *Id.*, at p. 214.

⁵² Section 944.801(3) (i), F.S.

addressing an inmate's needs, and plan for the prisoner's eventual release and reintegration into the community. Based on the risk factors and skill deficits determined by the initial assessment, the plan should identify specific activities to be performed or skills to be acquired to prepare the prisoner for successful re-entry.⁵³ Relevant skill areas may include: education, including literacy and life skills training; employment;⁵⁴ health, mental health and substance abuse challenges; managing family conflict; mentoring; and strategies to develop pro-social behavior and desistance from crime. Each inmate's re-entry plan should be updated and modified as he or she moves through the correctional process and should reflect both progress and changes in risk and need.⁵⁵ The plan should be kept electronically, which will ensure that the plan can be shared system-wide, regularly updated, and accessed if the inmate returns to the system.⁵⁶

A critical component of the individualized inmate re-entry plan is the needs assessment. The department should make sure to go beyond the medical, mental health, education, alcohol abuse, and drug assessments to provide an in depth assessment addressing anger management, work and vocational training, criminological risks and needs, and prerelease/re-entry planning needs.⁵⁷ A study in 1992 found that inmates often lacked the ability to fully read and understand the types of documents encountered in everyday life, such as job applications, credit applications, and health forms.⁵⁸ Because of these deficiencies, the department should also investigate the implementation of an assessment of functional and life skills to identify possible deficiencies and barriers to a successful re-entry into the community.⁵⁹ These assessments should go beyond identification of education level to assess personal abilities that will enable the inmate to succeed in the workplace.⁶⁰ Once the assessments are completed, a program that prioritizes the inmate's highest needs first should be developed.⁶¹

Re-entry Statistics

According to the department, of the 35,117 inmates released in FY 2010-11:

- Approximately 66 percent left with TABE scores below the 9th grade level;
- 17,383, or 69.5 percent, of the 25,002 inmates eligible for academic programs did not receive services prior to release; and
- 11,442, or 82.7 percent, of the 13,836 inmates eligible for vocational training did not receive services prior to release.⁶²

Recommendations:

The Subcommittee recommends the Department of Corrections expand its vocational education programs. These programs have been proven to reduce recidivism, increase ex-offender employment

⁵³ "Final Report of the Governor's Ex-Offender Task Force," p. 18 (copy on file with the Government Efficiency Task Force Staff).

⁵⁴ Including resume preparation, job seeking and interviewing. *Id.*

⁵⁵ The National Institute of Corrections, "TPC Reentry Handbook: Implementing the NIC Transition from Prison to the Community Model," August 2008, p.12, <http://static.nicic.gov/Library/022669.pdf> (last visited 5/10/2012).

⁵⁶ Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 152, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).

⁵⁷ Thigpen, et. al., "Prisoner Intake Systems: Assessing Needs and Classifying Prisoners," February 2004, p. ix <http://static.nicic.gov/Library/019033.pdf> (last visited 5/10/2012).

⁵⁸ Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 126, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).

⁵⁹ *Id.* at p. 127.

⁶⁰ *Id.*

⁶¹ Council of State Governments Justice Center, "Screening and Assessment in Re-entry Court Program Design: Incorporating Risk, Need, Responsivity," February 16, 2011, p. 26, http://www.nationalreentryresourcecenter.org/documents/0000/0963/SCA_Reentry_Courts_Webinar_on_Screening_and_assessment_in_reentry_court_program_design_02_16_2011.pdf (last visited 5/10/2012).

⁶² As reported by the Florida Department of Corrections, Bureau of Research and Data Analysis, March 23, 2012 (copy on file with Government Efficiency Task Force staff).

success, and are cost effective. Additionally, these programs give the department the ability to partner with local businesses for additional job training.

The Subcommittee recommends the Department of Corrections adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction. Currently, the department initially assesses an inmate's needs using the Corrections Integrated Needs Assessment System (CINAS).⁶³ This assessment determines the inmate's risk to recidivate measured on a scale of 1 (least likely) to 5 (most likely).⁶⁴ The department uses this as a factor, along with release date, Mandatory Literacy Program eligibility, special education designation, and whether the inmate has a verified high school diploma or GED, to determine the inmate's academic program score.⁶⁵ The program score is used in a ranking algorithm⁶⁶ that includes the inmate's number of days before release and the inmate's Targeted Academic Services Score (TASS)⁶⁷ to rank inmates in order of highest need.⁶⁸

This program focuses its limited space to those inmates with a higher risk of returning to prison and who do not already possess a high school diploma or GED, within the last three years of incarceration.⁶⁹ The Subcommittee recommends that the system take into account which inmates will be able to complete a program, not just those nearing the end of their sentence. It is a better use of resources to ensure space is allocated to those inmates able to complete the program and are most likely to find gainful employment after release (i.e. younger inmates with non-violent crimes).

By making a concerted effort to effectively target resources on inmates with the highest-potential of successful completion, the department should be able to reduce recidivism. The assessment tool will be critical in identifying those who will be the most successful at education and vocation programs. The assessment should have vocational and educational components. The department should also develop an assessment tool, similar to those used for the unemployed, that is appropriate for the prison population and can be utilized to determine the type of vocational or educational training most compatible with an individual's interests and capacities.⁷⁰ The assessment should also take into account the inmate's readiness for work, along with a review of work history, skills, and educational attainment.⁷¹

The Subcommittee recommends considering inmates' educational needs when determining facility placement. A key to reducing recidivism is using the time of incarceration to create positive change by diagnostically identifying the inmate's individual needs, creating an inmate re-entry plan, and providing the services and support for the plan. To ensure the re-entry plan is successful, effort should be made to place and keep inmates in facilities that have programs commensurate with their educational needs. At times, department operations can cause inmates to be transferred before an education or vocation program can be

⁶³ Florida Department of Corrections Memo, May 2, 2012, p. 6, (copy on file with the Government Efficiency Task Force Staff).

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ The program score is weighed so inmates with a program score of 4 are put lower on the ranking scale (highest need) followed by inmates that score 3, then 2 and 1. Inmates with a program score of 5 and inmates designated as mandatory literacy or special education are not ranked. Florida Department of Corrections Memo, May 2, 2012, p. 6 - 7 (copy on file with the Government Efficiency Task Force Staff).

⁶⁷ TASS is a numerical score comprised of specific academic and incarceration data including: special education designation, release date, number of Florida prison commitments, TABE scores, vocation enrollment, possession of verified high school diploma or GED, and Mandatory Literacy Program eligibility. Florida Department of Corrections Memo, May 2, 2012, p. 6 (copy on file with Government Efficiency Task Force staff).

⁶⁸ Florida Department of Corrections Memo, May 2, 2012, p. 6 (copy on file with Government Efficiency Task Force staff).

⁶⁹ *Id.* at p. 7.

⁷⁰ Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 127, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

⁷¹ *Id.* at p. 128.

completed.⁷² The Subcommittee recommends that the department should take steps to avoid transferring inmates who are nearing a program's completion to avoid program disruptions.

Currently, the department places an inmate based on medical and security needs. The inmate will be transferred to a facility that can meet both types of needs at the level identified for that inmate.⁷³ Inmates are not normally placed in a permanent facility based on education or program needs, but rather are assessed for core programs (academic, vocational or substance abuse) once placed at their first permanent facility.⁷⁴ After those needs are established and the inmate reaches the programming time frame (three years prior to release), the inmate will be moved as necessary based on the his or her specific program need and priority ranking for placement.⁷⁵ Generally, placements are made at institutions that have available beds.⁷⁶

Educational Program Length Challenges

While studies show that inmates who complete these educational and vocational programs are less likely to recidivate, OPPAGA found that 90 percent of inmates enrolled in ABE do not successfully complete the program, often for reasons within the department's control.⁷⁷ OPPAGA⁷⁸ found that while participants in GED and vocational programs had high completion rates, inmates in ABE programs either failed to complete program requirements or left the program for administrative reasons (such as being transferred) before completing the program. In a two-year⁷⁹ study, OPPAGA found that 79 percent of participating inmates completed GED courses; 73 percent completed vocational courses; and 90 percent of inmates taking the GED exam achieved a passing grade. However, only 10 percent of ABE students completed their courses over the same two-year period. OPPAGA attributed the lower success rate to program length, inmate demographic and behavioral characteristics, and department operations.

ABE programs often take inmates longer to complete than other programs, such as GED or vocational programs. To complete the ABE program, an inmate must attain a 9th grade level on the TABE, which may require more than two years of instruction. Additionally, ABE programs serve inmates with low educational levels (those with TABE scores below 9th grade), inmates requiring English as a Second Language instruction, and inmates with special education needs. Inmates participating in GED or vocational training can complete these programs in a two-year period. A GED program is completed when the inmate earns a GED Certificate, and most vocational training is completed in 9 to 40 weeks.

Because ABE classes are longer, there is a greater chance for the inmate to drop out, be discharged from the program for poor behavior, or be transferred to another institution. OPPAGA found that inmates who did not complete the ABE program had more disciplinary reports; spent more time in prison; had a higher number of drug offenses; and were more likely to have high custody classifications than inmates who completed the program.⁸⁰ Department operations cause some inmates to be removed before the program could be completed. Over 64 percent of the inmates in ABE programs were released from prison before completing the program. This can occur because the department moves inmates to meet a security or institutional need or transfers inmates to another facility for other reasons.

⁷² OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," February 2007, p. 6, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 3/22/2012).

⁷³ Florida Department of Corrections Memo, May 2, 2012, p. 1 (copy on file with Government Efficiency Task Force staff).

⁷⁴ Florida Department of Corrections Email, May 9, 2012, (copy on file with Government Efficiency Task Force staff).

⁷⁵ *Id.*

⁷⁶ Florida Department of Corrections, "Recidivism Reduction Strategic Plan," June 2009, p. 27, <http://www.dc.state.fl.us/orginfo/FinalRecidivismReductionPlan.pdf> (last visited 5/10/2012).

⁷⁷ OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," February 2007, p. 4, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

⁷⁸ *Id.* at p. 5.

⁷⁹ 2004-06

⁸⁰ These factors are also associated with higher recidivism.

Recommendations:

The Subcommittee recommends the Department of Corrections research implementation of a double-track education system. One track should consist of basic academic, life-skill and vocational education programs designed specifically for inmates incarcerated for less than one year. The program for this track should be designed to be completed in less than nine months. The second track should provide basic academic and vocational programs for inmates incarcerated for more than one year. A two-track system would enable the department to use the entry assessments to identify the most appropriate track for the educational or vocational programs in the inmate's re-entry plan.

In North Carolina, prison's educational offerings are determined by the minimum length of stay in the facility.⁸¹ All facilities offer some type of programming, but a matrix is used to ensure that programs are only provided at facilities where inmates will be able to finish them.⁸² In an attempt to accommodate those inmates whose sentences are not long enough to complete the entire GED curriculum during incarceration, the state of Washington offers a fast-tracked GED course offered at some facilities.⁸³ This program is available to offenders who already have the knowledge to pass a GED test, but may need additional practice preparing to take the test.⁸⁴

The Subcommittee recommends the Department of Corrections investigate opportunities to introduce online and e-learning educational and vocational training in prisons. Internet access in Florida's prisons would make enormous amounts of educational resources available to corrections staff and inmates.⁸⁵ To address funding and capacity constraints that limit access to educational and vocational training, policies should be revised to support development and expansion of Internet-based and electronic platforms for program delivery. Internet-based instruction allows a single instructor to deliver educational content to an unlimited number of incarcerated students across multiple prisons or the prison system as a whole.⁸⁶ In addition, internet-based coursework allows more students to be educated in a reduced space. Computer labs can accommodate terminals that allow students to progress through individualized educational programs at their own pace while sharing a physical space.⁸⁷ This is difficult to accommodate in a traditional classroom setting.⁸⁸ Finally, the economies of scale of internet-based instructional methods would reduce the per-student cost of providing educational programs, which would allow the department to make more efficient use of its funding for educational services.⁸⁹

Because many inmates have had limited exposure to technology, using computers, the Internet, and other communication technologies can be a learning experience in itself.⁹⁰ Interaction with computers or the Internet can serve as a form of vocational training,⁹¹ as both are an increasingly essential part of today's world. Many security concerns can be addressed with careful planning and regulations governing access and use.⁹²

⁸¹ Brazzell, D. et. al., "From the Classroom to the Community: Exploring the Role of Education during Incarceration and Reentry," 2009, p. 29, http://www.urban.org/UploadedPDF/411963_classroom_community.pdf (last visited 5/10/2012).

⁸² *Id.*

⁸³ Washington Department of Corrections, "Going Home: Accomplishments in Public Safety," 2009, p. 20, <http://www.doc.wa.gov/aboutdoc/docs/docannualreportgoinghome.pdf> (last visited 5/10/2012).

⁸⁴ *Id.*

⁸⁵ Spangenberg, Gail, "Current Issues in Correctional Education: A Compilation and Discussion," February 2004, p. 22, http://www.caalusa.org/correct_ed_paper.pdf, (last visited 5/10/2012).

⁸⁶ Gorgol, Laura, and Sponsler, Brian. "Unlocking Potential: Results of a National Survey of Postsecondary Education in State Prisons." Institute for Higher Education Policy, May 2011, p. 17, http://www.ihep.org/assets/files/publications/s-z/Unlocking_Potential-PSCE_FINAL_REPORT_May_2011.pdf (last visited 5/9/2012).

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ Brazzell, D. et. al., "From the Classroom to the Community: Exploring the Role of Education during Incarceration and Reentry," 2009, p. 33, http://www.urban.org/UploadedPDF/411963_classroom_community.pdf (last visited 5/10/2012).

⁹¹ *Id.*

⁹² *Id.* at p. 34.

Firewalls and content filters can restrict Internet access, and clear rules and sanctions can deter misuse of technology.⁹³

The Subcommittee recommends the Department of Corrections set up a pilot program to develop widely-acceptable security protocols for Internet access. While security concerns exist with providing inmates with internet access, new computer and communication technologies have recently been incorporated into correctional education across the nation.⁹⁴ The department should investigate multimedia content and interactive learning opportunities delivered via the internet, closed or restricted computer networks, satellite, closed-circuit TV, CDs or DVDs, videotapes, or videoconferencing⁹⁵ for the pilot program.

The Correctional Education Association received grant money to conduct a feasibility study to identify potential technologies that may be appropriate to consider in providing future distance learning services through the nationwide Transforming Lives Network.^{96, 97} The feasibility study indicated that security measures exist to prevent security breaches.⁹⁸ By establishing a successful pilot program, some of these security concerns can be alleviated by developing acceptable security protocols for Internet access. These protocols would serve as a model for other Florida prisons.

The Subcommittee recommends converting some of Florida’s prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education. Currently, Florida operates faith and character-based and re-entry institutions. Expanding on that concept, this recommendation will work in conjunction with the recommendation below on individualized inmate re-entry plans. An inmate’s initial assessments should determine the type of facility best suited to the inmate’s needs.

The Subcommittee recommends aligning the missions of vocational education prisons to meet the needs of the employment market. Employment is highly correlated with successful reintegration into society.⁹⁹ It is important that the vocational education programs are demand-driven and focus on jobs available in regional areas. An advisory group should be created for each prison, consisting of representatives of local employers, economic development agencies, workforce investment boards, One-Stops,¹⁰⁰ educational institutions, and targeted community-community based organizations. The group should use its familiarity with the local job market to provide input on correctional programs to ensure that participants obtain skills necessary to find employment when they re-enter the community. By focusing on the needs of employers in the community, prisoners can attain skills for industries in high demand outside the prison. The advisory group should meet every 12 to 18 months to ensure that the vocational course offerings are relevant to the current job market and are up-to-date with advances in technology and methodology.¹⁰¹

⁹³ *Id.*

⁹⁴ *Id.* at p. 32.

⁹⁵ *Id.*

⁹⁶ The Transforming Lives Network (TLN) is a distance learning project administered by the Correctional Education Association and funded through member subscriptions. TLN provides corrections-specific offender education and staff development via satellite to the nation’s correctional facilities and at-risk populations. See <http://tln.ceanational.org/TLN/index.htm> (last visited 5/9/2012).

⁹⁷ Borden, Cindy and Richardson, Penny, “The Effective Use of Technology in Correctional Education,” John Jay College of Criminal Justice Reentry Roundtable on Education, March 31-April 1, 2008, p. 6, <http://www.urban.org/projects/reentry-roundtable/upload/Effective.pdf> (last visited 5/9/2012).

⁹⁸ *Id.* at p. 15.

⁹⁹ Re-entry Policy Council, “Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community,” January 2005, p. 127, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).

¹⁰⁰ Florida provides workforce program services through local One-Stop Career Centers. Each local area operates at least one physical One-Stop Center which may be supplemented by a network of affiliated sites. See <http://www.floridajobs.org/frequently-asked-questions-directory/frequently-asked-questions/category/09fca767-4604-488b-81a4-4a750922d306/x> (last visited 5/21/12).

¹⁰¹ Re-entry Policy Council, “Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community,” January 2005, p. 216, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).



Government Efficiency Task Force

Inmate Education & Re-entry Recommendations

Subcommittee on Education

Chair: Belinda Keiser

Senator Lizbeth Benacquisto

Ann Duncan

Michael Heekin

Eric Silagy

June 6th, 2012



Subcommittee on Education

In support of the charge of the Government Efficiency Task Force, the Subcommittee Committee on Education agreed to provide thoughtful and substantive recommendations that would address:

- 1) Individual Inmate Re-entry Plans*
- 2) Mandatory Literacy Programs*
- 3) Online Education Opportunities*
- 4) Mission Driven Prisons*
- 5) Program Efficiency*
- 6) Metrics and Statistics*

My sincerest thanks to the subcommittee members, the GET staff and substantive experts for their tireless commitment, knowledge and support.



Summary: GET Education Subcommittee Recommendations

1) Individualized Inmate Re-entry Plans

- Create an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.
- Consider educational needs when determining an inmate's facility placement.
- Assessments to determine literacy skills are critical. Focus and priority should be given to this process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison.
- Develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length.

2) Mandatory Literacy Program:

- Require prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a Test of Adult Basic Education (TABE).

3) Online Education Opportunities:

- Investigate opportunities to introduce online and e-learning educational and vocational training in prisons.
- Set up a pilot program to develop widely-acceptable security protocols for Internet access.



Summary: GET Education Subcommittee Recommendations

4) *Mission Driven Prisons:*

- Convert some of Florida's prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education.
- Align the missions of vocational education prisons to meet the needs of the employment market.

5) *Program Efficiency:*

- Adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.
- Expand vocational education programs.
- Research implementation of a double-track education system.

6) *Metrics and Statistics:*

- Conduct a cost-benefit analysis to evaluate rehabilitative programs, such as educational and vocational programs.
- Develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the Department of Corrections (department).



Government Efficiency Task Force

Florida Department of Corrections Prisoner Statistics

- Florida houses 100,345 inmates across 60 state prisons and 7 private prisons.
- Cost per inmate is \$19,473 annually.
- The Bureau of Re-Entry Programs and Education
- In FY 2011-12, DOC appropriated less than 1% of its overall budget to correctional education programs.



Prisoner Statistics

- 88.6% of Florida's prisoners will be released.
- 33% will return to prison (recidivate).
- 64% scored less than 9th grade level on the Tests of Adult Basic Education
- Almost 40% scored less than a 6th grade level



Recidivism Statistics

- The probability of reoffending is reduced by 3.7% for each grade level of adult basic education completed.
- Inmates with a GED are 7.9% less likely to recidivate and 9.3% more likely to be employed.
- Inmates with vocational certificates are 17% less likely to recidivate and 17.9% more likely to be employed.



Correctional Education Programs

- Enrollment capacity in department-operated academic education programs is 6,600 students (6.5% of total inmate population).
- The department offers several academic programs:
 - Adult Basic Education/General Education Development (ABE/GED)
 - Special Education
 - Volunteer Literacy Programs
 - Mandatory Literacy Program (MLP)
 - Ready to Work



Recommendation One: Individualized Re-entry Plans

- Create an individualized re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.
- The department should implement an assessment of functional and life skills to identify possible deficiencies and barriers to a successful re-entry.



Individualized Re-Entry Plans (continued)

- Focus and priority should be given to the process of assessing literacy skills to provide an appropriate foundation for other educational programs and opportunities after prison.
 - A universal goal of corrections should be to ensure as many inmates as possible are re-entering the community functionally literate (8th grade level).
 - Many inmates who would benefit from the Mandatory Literacy Program (MLP) do not qualify because they have less than two years left in their sentences.
 - The department should address this by developing a program to provide literacy and life skills training for inmates who are ineligible for the MLP program due to prison term length.



Individualized Re-entry Plans (continued)

- Consider inmates' educational needs when determining facility placement.
 - The department should:
 - Make effort to place and keep inmates in facilities that have programs commensurate with their educational needs
 - Take steps to avoid the transfer of inmates who are nearing completion of a program
- OPAGGA has found that inmates are able to complete GED and Vocational courses at a significantly higher rate than those in ABE programs.
- Why?
 - GED and vocational programs can be completed in a two-year period.
 - To complete the ABE program inmates must attain a 9th grade level on the TABE.



Individualized Re-entry Plans (continued)

- Adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.
- These policies should:
 - Take into account which inmates have the highest potential for successful program completion
 - Allocate program space to those inmates who are most likely to find gainful employment
 - Utilize an assessment tool that determines the type of vocational or educational training most compatible with the inmate's interests and capacities



Individualized Re-Entry Plans (continued)

- The department focuses its limited space to inmates:
 - With a higher risk of returning to prison
 - Who do not possess a high school diploma or GED
 - Who are in their last three years of incarceration
- The department ranks inmates in order of highest need using:
 - A program score created for each inmate
 - The number of days before release
 - The inmate's TASS (Targeted Academic Services Score)



Recommendation Two: Mandatory Literacy Program

- Require prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on the Tests of Adult Basic Education.



Mandatory Literacy Program

- 150-hour literacy training program required by law for inmates who meet program guidelines
- Available to all inmates who meet the program requirements.
- Successful completion of the program requires completion of 150 hours of instruction or achievement of a total battery score of 6.0 or higher on TABE.
- Only 21% of enrolled inmates successfully complete the program.



Recommendation Three: Online Education Opportunities

- Investigate opportunities to introduce online and e-learning educational and vocational training in prisons.
- Establish a pilot program to develop widely-acceptable security protocols for Internet access.



Online Education Opportunities

- Online and E-learning in Prisons
 - Internet-based instruction offers many benefits.
 - Exposing and training inmates to use technology can provide them with skills necessary in modern society.
 - Security issues can be addressed with careful planning and regulations governing access and use.
 - Security breaches can be prevented with existing security measures.



Recommendation Four: Mission Driven Prisons

- Convert some of Florida's prison's to institutions that focus on chemical dependency, literacy and basic education, and vocational education.
- Align the missions of vocational education prisons to meet the needs of the employment market.
- The Department of Corrections should expand its vocational education programs.
- These programs:
 - Reduce recidivism
 - Increase ex-offender employment success
 - Are cost effective
 - Enable the department to partner with local businesses for additional job training



Mission Driven Prisons (continued)

- Vocational Education
 - The department offers 85 vocational education courses in 36 vocational trades at 33 state operated institutions.
 - Enrollment capacity is 1,584 (1.6% of the total inmate population).
 - Inmates with vocational training are less likely to have disciplinary issues.



Mission Driven Prisons (continued)

- Faith and Character-based Institutions (FCBIs)
 - The department currently staffs two FCBIs.
 - These institutions provide a program-rich environment for inmates interested in personal growth and character development.
 - Eligible inmates volunteer for FCBIs and can choose among secular or religious programming and program duration is open-ended
 - These programs have shown to improve prison safety and inmate institutional adjustment.
 - Inmates served have shown lower recidivism rates.



Recommendation Five: Program Efficiency

- The department should research the implementation of a double-track education system.
 - North Carolina – Each prison's educational offerings determined by the minimum length of stay at that facility.
 - Washington – Offers a fast-tracked GED course for inmates with sentences too short to complete the entire GED curriculum.
- A two-track system enables the department to use entry assessments to identify the most appropriate track for an educational or vocational program in the inmate's re-entry plan.



Recommendation Six: Metrics and Analysis

- Conduct a cost-benefit analysis to evaluate rehabilitative programs, such as educational and vocational programs.
- Develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the department.
 - Limited slots in these programs cause many inmates to be released without having their educational skill deficiencies addressed.
- Educational and vocational programs should be measured by their effectiveness at reducing recidivism.
- Documenting the contribution correctional education provides to society will help make a case for increased financial support.



Government Efficiency Task Force

Thank You

Governor Rick Scott

Subcommittee on Education Members

- ***Senator Lizbeth Benacquisto***
- ***Ann Duncan***
- ***Michael Heekin***
- ***Eric Silagy***

Members of the Government Efficiency Task Force

- ***Including our Chair, Abraham Uccello***

The Office of Policy and Budget Staff

- ***Jeff Woodburn***
- ***Ashley Spicola***
- ***All the members of their team***

Elisa Weber from the FL Senate

The Board of Governors

Our Prisoner Education Subject Matter Expert

- ***William Carr, the Assistant Secretary for Re-Entry, for Department of Correction***

Members of the Public for your Contributions



Florida Government Efficiency Task Force

Subcommittee on Education

Recommendation Analysis

Subject Matter: Higher Education

Subcommittee Members: Belinda Keiser (Chair), Senator Lizbeth Benacquisto, Ann Duncan, Michael Heekin, and Eric Silagy

RECOMMENDATION SUMMARY

On May 14, 2012, the Subcommittee on Education voted to approve the following recommendations regarding higher education:

- ***Implement a pilot project for year-round school operations in the State University System (SUS).***
- ***The Board of Governors (BOG) should create a “University Review Program.”***
- ***Strategies for Degree Production***
 - The Blue Ribbon Task Force should develop strategies to increase degree production.
 - There is a high degree of interest among Florida’s policy makers to increase the production of science, technology, engineering, and mathematics (STEM) degrees in the state. The Blue Ribbon Task Force should review methods to increase the production of STEM degree graduates in the State University System (SUS), and in doing so, consider the actions of HB 7135 and the creation of a statewide STEM strategic plan.
- ***Optimum Facility Utilization***
 - The Blue Ribbon Task Force should review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for Public Capital Outlay program (PECO) funds.
- ***Funding:***
 - The Blue Ribbon Task Force should investigate innovative strategies of funding for higher education.
 - The Blue Ribbon Task Force should find ways to increase transparency in state funding of Higher Education.
 - The Blue Ribbon Task Force should study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.

FULL RECOMMENATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. HIGHER EDUCATION

State University System of Florida

The State University System of Florida (SUS) provides students with undergraduate and graduate level instruction leading to baccalaureate, masters, doctoral and professional degrees.¹ Additionally, SUS institutions conduct research and engage in public service.² Currently, state universities have over 324,000 students enrolled; offer nearly 1,800 degree programs at the baccalaureate, graduate, and professional levels; and annually award over 73,000 degrees at all levels.³

Governance

The governing body for the SUS is the Board of Governors (BOG).⁴ The BOG is the constitutionally created body required to “operate, regulate, control, and be fully responsible for the management of the whole university system.”⁵

Locally, each institution is governed by a board of trustees⁶ comprised of 13 members.⁷ The local boards of trustees are responsible for governing their institutions in accordance with BOG rules and regulations.⁸ Each local board’s responsibilities include, but are not limited to, strategic planning and adopting policies regarding admissions, educational programming, administration, personnel, contracts, grants, and facilities.⁹

Legislature

The BOG’s oversight of the SUS is subject to the Legislature’s power to appropriate funds, as well as the Legislature’s responsibility to provide for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require.¹⁰ The Legislature is also responsible for establishing tuition and fees and establishing policies relating to merit and need-based student financial aid.¹¹

Higher Education Coordinating Council

On March 24, 2010, the Chair of the BOG, the Chancellor of the SUS, legislative leaders and the Governor signed a SUS Governance Agreement acknowledging their shared constitutional authority for the state universities. Among the provisions adopted in the agreement was the creation of the Higher Education Coordinating Council (HECC).¹² The HECC¹³ was created by the Legislature in 2010 to identify unmet

¹ The 11 SUS universities are provided in s. 1000.21(6), F.S. The 2012 Legislature passed SB 1994, which the Governor signed into law, creating the 12th state university – Florida Polytechnic University. *See* <http://flsenate.gov/Session/Bill/2012/1994/BillText/er/PDF> (last visited 5/3/2012). *See also* Chapter 2012-129, L.O.F.

² Article IX, s. 7, Fla. Const.; part IV, chapter 1001, F.S.; part II, chapter 1004, F.S.

³ *See* Governor’s Executive Order Number 12-104, May 4, 2012, (copy on file with Government Efficiency Task Force staff).

⁴ Article XI, s. 7(d), Fla. Const. The BOG is made up of 17 members, including the Commissioner of Education, the chair of the Advisory Council of Faculty Senates, the Florida Student Association president, and 14 citizen-appointments made by the Governor and confirmed by the Florida Senate. *See* Article IX, s. 7(d), Fla. Const.; s. 1001.71(2) and (3), F.S.

⁵ Article IX, s. 7(d), Fla. Const.

⁶ Article IX, s. 7(c), Fla. Const.; s. 1001.71(1), F.S.

⁷ The board is composed of the chair of the faculty senate, the president of the institution’s student body, six members appointed by the Governor and confirmed by the Florida Senate, and five members appointed by the BOG and confirmed by the Florida Senate. *See* s. 1001.71(1), F.S.

⁸ Article IX, s. 7(c), Fla. Const.; *see also* Florida Board of Governors Regulation 1.001.

⁹ Florida Board of Governors Regulation 1.001(3)-(7).

¹⁰ Article IX, s. 1(a) and 7(d), Fla. Const.; ss. 1001.705 and 1001.706, F.S.

¹¹ Section 1001.705(3), F.S.

¹² Other components of the SUS Governance Agreement include: master planning and coordination of Florida’s higher education systems; strategic planning; university governance; financial aid programs; the Administrative Procedures Act and BOG regulations; tuition; and fees. *See* Chapter 2010-78, L.O.F.

needs and to facilitate solutions to disputes regarding the creation of new degree programs and the establishment of new institutes, campuses, or centers.¹⁴ The HECC is required to act as an advisory board to the Legislature, the SBE, and the BOG.¹⁵

On December 31, 2011, the HECC submitted a report of recommendations for legislative consideration during the 2012 Legislative Session.¹⁶ The report's recommendations include:

- SUS institutions should identify their primary areas of research expertise based on the unique strengths and missions of each institution.
- The HECC should receive an annual list of prospective programs being planned by postsecondary education sectors to increase coordination. The offerings will be guided by comparative cost analyses and employment demand.
- The educational sectors should set goals for increased degree completion, with a particular emphasis on STEM degree production. Incentives should be provided to encourage STEM education.
- The Legislature should align financial aid and grant programs to encourage and accelerate access, graduation, and time-to-degree. Grants should be available for summer sessions.
- A new funding formula for the SUS and the Florida College System (FCS) needs to be examined based on performance-based accountability.¹⁷

Blue Ribbon Task Force

On May 4, 2012 Governor Scott issued an executive order creating the Blue Ribbon Task Force on State Higher Education Reform (BRTF).¹⁸ The vision for the BRTF is to advance the SUS's Constitutional charge to operate, regulate, control, and be fully responsible for the management of the whole university system.¹⁹ BRTF's responsibilities include, but are not limited to:

- Catalog and consolidate the recommendations of the various efforts addressing Florida's higher education system with respect to the SUS;
- Assess strengths and weaknesses of the SUS's governance model related to its Constitutional charge;
- Analyze the ability of state universities to contribute to the SUS 2012-2025 strategic plan;
- Recommend strategies, such as incentive systems and governance improvements, to encourage cooperation between institutions leading to reduced duplication and improved efficiencies;
- Recommend amendments to statutes and BOG regulations necessary to improve accountability and transparency on the part of state universities to the BOG and the BOG to the Legislature and Governor; and
- Conduct a review and analysis of efforts to achieve national preeminence and academic and research excellence by Florida universities, including elements that may be considered for future legislation to advance higher education.²⁰

¹³ The HECC is comprised of the following members: the Commissioner of Education; the Chancellor of the State University System of Florida; the Chancellor of the FCS; the Executive Director of the Commission for Independent Education; the Executive Director of the Independent Colleges and Universities of Florida; and two members representing the business community, one appointed by the President of the Senate and one appointed by the Speaker of the House of Representatives. *See* Section 1004.015(2), F.S.

¹⁴ Section 1004.015(1), F.S.

¹⁵ HECC goals and guiding principles are provided in s. 1004.015(3), F.S.

¹⁶ Section 1004.015(5), F.S.

¹⁷ Higher Education Coordinating Council, "Higher Education Coordinating Council Releases Recommendations," December 19, 2011, <http://www.floridahighereducation.org/20111219.php> (last visited 5/4/2012).

¹⁸ *See* Governor's Executive Order Number 12-104, May 4, 2012, (copy on file with Government Efficiency Task Force staff).

¹⁹ *Id.*

²⁰ The Task Force is required to provide a written report detailing assessments and recommendation to the Governor, Senate President, and Speaker of the House no later than November 15, 2012. *Id.*

B. YEAR-ROUND OPERATIONS

Currently, there is a growing movement for universities to re-evaluate their operations to better serve students while lowering costs by moving to year-round operations. Year-round operation requires universities to conduct regular academic programs over the entire year, without lowering the level of academic offerings and services over the summer.²¹ Universities would provide courses and services in quantity and quality comparable to every other term of the year.²² Through year-round operations, universities can provide a full academic year of instruction to at least one-third more²³ students compared to the institutions using traditional calendars of three quarters or two semesters. This provides students with the opportunity to accelerate their study or vary the season in which they take an annual break.²⁴ Several states and postsecondary institutions have begun instituting the idea of the year-round operations.

California

In 1999, the state of California looked at implementing year-round university system as a way to facilitate enrollment growth.²⁵ A report by the California State Legislative Analyst's Office (LAO) found that year-round operations in higher education could serve one-third more students in existing instructional facilities and save several billions of dollars that would be otherwise spent on additional buildings. The report determined that year-round operations would have no impact on faculty workload, while increasing students' access to high-demand campuses and allowing students to accelerate their timeline to degree.²⁶

Following the LAO report, a feasibility study²⁷ by the University of California found that year-round instruction addresses many critical needs, including:

- Responding to concerns about impacts on local communities by shifting some students away from the traditional Fall-Winter-Spring attendance patterns;
- Decreasing some of the impacts of large and rapid enrollment growth on campuses, including crowding that will occur if new construction cannot keep pace with growth; and
- Making better use of existing classroom and class laboratory facilities to avoid capital costs of \$200 to \$240 million and associated maintenance costs, thereby freeing up funds for construction of other new core academic space that will be needed.²⁸

The State of California subsequently provided funding for the University of California and California State University to begin year-round operations in the 2001 summer term.²⁹ By 2006, the California State LAO found that summer enrollment had increased for all of the University of California campuses by 103% combined.³⁰

Postsecondary Institutions

In January 2012, the president of Purdue University announced that the school would begin a shift towards a year-round, trimester-based calendar.³¹ According to the university, offering a third semester will provide

²¹ Guyer, P., Kuhn, J., and Breedlove, B, "Year-Round Operation in Higher Education. An LAO Report", *California State Legislative Analyst's Office*, February 1999, p. 1, http://lao.ca.gov/1999/021299_year_round.pdf (last visited on 5/4/2012).

²² *Id.*, at p.6.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*, at p. 2.

²⁶ *Id.*

²⁷ The California Legislature required the University of California and California State University to complete feasibility studies on year-round academic programs. See State of California, "Supplemental Report of the 1999 Budget Act", http://www.lao.ca.gov/1999/99-00_supp_rpt_lang.html#6440 (last visited 5/17/12).

²⁸ University of California, "The Feasibility of Year Round Instruction within the University of California", April 2000, p. 1, <http://www.ucop.edu/planning/documents/yrroundrpt2000.pdf> (last visited 5/17/12).

²⁹ See <http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/2001-02budsum.pdf> (last visited 5/17/12).

³⁰ For fully converted campuses, partially converted campuses were only up 91 percent. California State LAO, "LAO 2006 Budget Analysis: Intersegment: Year-Round Operations at UC and CSU", February 2006, p. 3, http://www.lao.ca.gov/analysis_2006/education/ed_21_anl06.html (last visited 5/17/12).

students with the opportunity to complete a four-year degree in as little as three-years, saving students time and money.³² This move is estimated to create \$40 million dollars in additional revenue for the university while making better use of classrooms, residence halls and other campus facilities during the summer months.³³

Brigham Young University (BYU)-Idaho offers a three semester or three-track system. Students are on campus for two semesters, and once they have proven they can succeed, they may apply to attend year-round. This has enabled BYU-Idaho to grow from 14,892 students in 1998 to 22,997 in 2009.³⁴ BYU-Idaho faculty increased to accommodate the increase in students; however the square footage per student decreased, (153 to 126 per student) and the operation cost per student increase was less than 7 percent (\$5,771 to \$6,155).³⁵

University of Florida Innovation Academy

In 2011, the University of Florida was authorized to develop and implement a student enrollment plan for the spring and summer terms to align on-campus student enrollment with the availability of instructional facilities.³⁶ As a new enrollment model operating on a spring-summer calendar, students in this pilot are limited to on-campus enrollment during these terms.³⁷ The University of Florida's cites this as an effort to a way to increase access to the university and better spread its resources by boosting enrollment in the summer;³⁸ it is not an actual year-round school model.

Change and Efficiency

There are many benefits identified with moving to a year-round university schedule. With more classes available each year, students would be able to accelerate their graduation timelines.³⁹ A year-round calendar would allow students requiring remedial courses to begin college with a lighter course load.⁴⁰ Nationally, about 53 percent of entering freshman must take at least one remedial course to prepare for the rigor of college-level work, and many of these students could benefit by having a lighter course load early in their college career.⁴¹ Businesses and communities near the university could benefit by avoiding the traditional summer sales drop-off.⁴² The University would benefit by maximizing the number of students served while minimizing the duplication of departmental overhead expenses.⁴³ The financial efficiency of campus operations would

³¹ Schedler, Carrie, "Purdue to move to year-round academic system", *Desert News*, January 11, 2012, <http://www.deseretnews.com/article/700214486/Purdue-to-move-to-year-round-academic-system.html>. (last visited on 5/4/2012).

³² Sigurdson, Chris, "Purdue trimester plan will accelerate time-to-degree, enhance educational opportunities", *Purdue University News Source*, January 11, 2012, <http://www.purdue.edu/newsroom/academics/2012/120111CordovaTrimester.html>. (last visited on 5/4/2012).

³³ *Id.*

³⁴ Clark, Kim, "Vision and Change at BYU-Idaho", *Forum Futures 2011*, p. 24, <http://www.acenet.edu/AM/Template.cfm?Section=Forum&Template=/CM/ContentDisplay.cfm&ContentID=43625> (last visited 5/17/12).

³⁵ Shaw, Jane S., "How should university prepare for a challenging economic and financial environment?" March 11, 2012, <http://www.popecenter.org/commentaries/article.html?id=2664> (last visited 5/17/12).

³⁶ Florida House of Representatives, "Final Bill Analysis HB5201," March 19, 2012, p. 10, <http://www.flhouse.gov/Sections/Documents/loadoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/16/12).

³⁷ *Id.* See also <http://innovationacademy.ua.ufl.edu/> (last visited 5/17/12).

³⁸ Crabbe, Nathan, "UF plans for students kept out of fall semester", June 10, 2011, <http://chalkboard.blogs.gainesville.com/2011/06/uf-plans-for-students-kept-out-of-fall-semester/> (last visited 5/17/12).

³⁹ Runner, George, "A Year-Round University Makes Sense", *Los Angeles Times*, February 14, 1999, <http://articles.latimes.com/print/1999/feb/14/local/me-8065> (last visited on 5/4/2012).

⁴⁰ "Educators Urge Focus on 'Year-Round' College", June 3, 2004, <http://diverseeducation.com/article/3716/> (last visited 5/17/12).

⁴¹ *Id.*

⁴² Runner, George, "A Year-Round University Makes Sense", *Los Angeles Times*, February 14, 1999, <http://articles.latimes.com/print/1999/feb/14/local/me-8065>. (last visited on 5/4/2012).

⁴³ *Id.*

increase by ensuring that upkeep for buildings on campus are being paid for by the students actually using them.⁴⁴

Some issues raised by those opposed to year-round operations relate to building maintenance and energy costs. The California LAO report found the amount of money spent on wear caused by additional students in the summer would be similar to what would have cost for the additional buildings required in the absence of year-round operations.⁴⁵ Additionally, they found that campus utility costs would not increase substantially because campuses cool many buildings in the summer, even when they are not being used at or near their full capacities.⁴⁶

Recommendation:

The Subcommittee recommends implementing a pilot project for year-round school operation in the State University System (SUS) at one of Florida's universities. This pilot program should serve as a model for other SUS institutions and carefully consider the success of existing year-round operation models, such as the California higher education system and BYU-Idaho Campus. These universities, among others, successfully employed unique year-round school models to increase access, optimize degree completion and minimize operating costs.

C. DEGREE PRODUCTION

Florida faces an emerging Talent Gap, and this crisis in human capital represents a vast and growing unmet need for a highly skilled and educated workforce.⁴⁷ A highly skilled and educated workforce is our state's most important resource for driving sustainable economic development and a diversified economy.⁴⁸ The Florida Council of 100 found that for Florida to reach the education level of the 10 most productive states within the next 20 years, we will need 4.5 million adults with baccalaureate degrees – 1.3 million more than expected at the current rates.⁴⁹ In order to address these issues, Florida must increase degree production to meet the needs of this new global economy.

Degree Completion

Florida's economic future may be dependent on having a highly educated and skilled workforce to remain competitive with other states and nations.⁵⁰ Of young adults between the ages of 25 and 34, persons with a college degree, working year-round, earn about 40 percent more than persons with some college education who have not completed a degree, and about two-thirds more than persons with just a high school degree.⁵¹ Additionally, Americans with bachelor's degrees and higher have almost half the unemployment rate as

⁴⁴ Wright, Sarah, "The Case for Year Round Schools", http://education-portal.com/articles/The_Case_for_Year-Round_Schools.html (last visited 5/17/12).

⁴⁵ Guyer, P., Kuhn, J., and Breedlove, B, "Year-Round Operation in Higher Education. An LAO Report", *California State Legislative Analyst's Office*, February 1999, p. 12, http://lao.ca.gov/1999/021299_year_round.pdf (last visited on 5/4/2012).

⁴⁶ *Id.*, at p. 12.

⁴⁷ Florida Council of 100, "Closing the Talent Gap: What Florida Needs from its Talent Supply Chain," 2010, p. iii, http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap_2010.pdf (last visited 5/30/12).

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ Schneider, M. and Yin, L., "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?" August 2011, p. 1, http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf (last visited 5/18/12).

⁵¹ Data on mean earnings by educational attainment are available through the U.S. Census Bureau at http://www.census.gov/hhes/www/cpstables/032010/perinc/new04_001.htm. From Schneider, M. and Yin, L., "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?," August 2011, p. 1, http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf (last visited 5/18/12).

Americans with some college or associate degrees.⁵² Only 26.6 percent of adults (between the ages of 25 and 64) in Florida have a baccalaureate degree or higher, compared to the U.S. average of 29.8 percent.⁵³

When a student enrolls in college but does not complete a degree, the State of Florida receives little return on its investment in the student's education. The cost of first-year dropouts from 2003-2008 to the state of Florida was \$274,900,000 in state expenditures and another \$18,400,000 was lost in federal student grants.⁵⁴ The costs to the individual and to the state are also felt in the form of lost wages and tax revenue. Florida college students, who started college in fall 2002 but did not graduate in 6 years, lost a potential one-year total of \$132 million in income and lost a potential of \$5.6 billion in income over the course of their lifetime.⁵⁵ For those same students, the federal government has lost a potential one-year total of \$19 in tax revenue and a potential \$1.1 billion in tax revenue over the course of their lifetime.⁵⁶

Three-year Degree

With the economic downturn, more pressure has been placed on the higher education system to reduce the cost of obtaining a degree. Although not a new idea, the three-year degree has recently become more popular. According to Lamar Alexander, "the three-year degree could become the higher-education equivalent of the fuel-efficient car."⁵⁷ Eliminating an extra year of school can save students 25 percent in non-tuition costs.⁵⁸ Students must still earn the same number of credits required for a bachelor's degree, but the programs typically cost less because they eliminate an extra year of room-and-board and other non-tuition costs.⁵⁹

Building on former Governor Ted Strickland's dual enrollment initiative for high school seniors,⁶⁰ current Ohio Governor John Kasich has ordered Ohio state universities "to investigate ways for students to get a bachelor's degree in three years."⁶¹ In 2009, the Rhode Island Legislature passed "The Rhode Island Bachelor's Degree in Three Program Act,"⁶² which enabled students in Rhode Island to apply advanced placement (AP), dual enrollment and other credit-bearing courses taken in high school to their college program.⁶³ Ideally, this program will reduce a year of their college education.⁶⁴

⁵² Bureau of Labor Statistics, April 2012, see <http://www.bls.gov/news.release/empsit.t04.htm> (last visited 5/18/12).

⁵³ U.S. Census Bureau, 2009 American Community Survey Public Use Microdata Sample File. From Florida House of Representatives, "Final Bill Analysis CS/HB 5201," March 19, 2012, p. 9, <http://www.myfloridahouse.gov/Sections/Documents/loadoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/18/12).

⁵⁴ Schneider, M. "Finishing the First Lap: The Cost of First-Year Attrition in America's Four-Year Colleges and Universities", American Institute of Research, October 2010, p. 10, http://www.air.org/files/AIR_Schneider_Finishing_the_First_Lap_Oct101.pdf (last visited 5/18/12).

⁵⁵ Schneider, M. and Yin, L., "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?" August 2011, p. 5, http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf (last visited 5/18/12).

⁵⁶ *Id.*, at p. 6.

⁵⁷ Alexander, Lamar, "The Three-Year Solution," Newsweek, October 16, 2009, <http://www.thedailybeast.com/newsweek/2009/10/16/the-three-year-solution.html> (last visited 5/4/2012).

⁵⁸ *Id.*

⁵⁹ Shellenbarger, Sue, "Speeding College to Save \$10,000", *Wall Street Journal*, May 12, 2010, <http://online.wsj.com/article/SB10001424052748703565804575238341696523742.html>, (last visited 5/4/2012).

⁶⁰ The "Seniors to Sophomores" program allows high school seniors to earn both high school and college credit at the same time by enrolling in college classes at a University System of Ohio campus. University System of Ohio, "Seniors to Sophomores", <http://pilot.uso.edu/opportunities/seniors2soph/index.php> (last visited 5/4/2012).

⁶¹ Abramson, Larry, "Ohio Universities Told To Develop 3-Year Degrees", *NPR.org*, April 19, 2011, <http://www.npr.org/2011/04/19/135545481/ohio-universities-told-to-develop-3-year-degrees> (last visited 5/4/2012).

⁶² 2009-H 5286 and 2009-S 1052.

⁶³ Szyba, Randall T., "Three years to a college degree in Rhode Island", *Rhode Island General Assembly*, October 29, 2009, <http://www.rilin.state.ri.us/news/pr1.asp?prid=5939> (last visited 5/4/2012).

⁶⁴ *Id.*

Several U.S. colleges and universities currently offer three-year degree programs. The University of North Carolina Greensboro launched “UNCG in 3” in the fall of 2010.⁶⁵ This program is open to students in 17 departments and requires that students enter the program with 12 hours of college credit gained in high school.⁶⁶ Florida State University has offered a three-year program since 2000.⁶⁷ From 2007 to 2009, the enrollment in this program rose 73%, from 71 students to 123 students.⁶⁸

Adult Completer Programs

Currently, there is an estimated two million⁶⁹ Floridians who have not finished college and do not have the skills needed for high wage, high skill jobs that our economy requires.⁷⁰ This year the Legislature established a Degree Completion Pilot Program⁷¹ for the purpose of recruiting, recovering, and retaining the state’s adult learners and assisting them in completing an associate or baccalaureate degree aligned to high-wage, high-skilled workforce needs.⁷² Recently, other states have implemented similar programs.

Texas has the GradTX⁷³ program, which is a statewide initiative targeting adult learners who have earned at least 90 semester credit hours of college work, but never completed their program and encourages them to return to college to earn their bachelors degree.⁷⁴ Oklahoma’s Reach Higher program is designed for working adults who have earned some college credit⁷⁵ by offering flexible class schedules which enable students to keep full-time jobs while earning their college education.⁷⁶ The program offers limited⁷⁷ degree options and classes are available in an online format in eight week durations.⁷⁸

Project Win-Win is a collaborative effort between the Institute for Higher Education Policy and the State Higher Education Executive Officer, and funded principally by Lumina Foundation for Education.⁷⁹ The program partners with colleges and four-year institutions authorized to award associate’s degrees to identify former students, no longer enrolled anywhere and never awarded any degree, whose record qualifies them for an associate’s degree, and get those degrees awarded retroactively.⁸⁰ Simultaneously, these institutions identify former students who are “academically short” of an associate’s degree by no more than nine to 12 credits, find

⁶⁵ De Vise, Daniel, “Three-year degrees: A closer look”, *Washington Post*, June 16, 2011, http://www.washingtonpost.com/blogs/college-inc/post/three-year-degrees-a-closer-look/2011/06/16/AGSM62XH_blog.html, (last visited 5/4/2012).

⁶⁶ *Id.*

⁶⁷ Shellenbarger, Sue, “Speeding College to Save \$10,000”, *Wall Street Journal*, May 12, 2010, <http://online.wsj.com/article/SB10001424052748703565804575238341696523742.html> (last visited 5/4/2012).

⁶⁸ *Id.*

⁶⁹ This makes up 23 percent of our workforce. See Florida Senate, “Bill Analysis: SB 1992,” February 12, 2012, p. 25, <http://static.lobbytools.com/bills/2012/pdf/AS1992B1300.pdf> (last visited 6/1/2012).

⁷⁰ Florida Senate, “Bill Analysis: SB 1992,” February 12, 2012, p. 25, <http://static.lobbytools.com/bills/2012/pdf/AS1992B1300.pdf> (last visited 6/1/2012).

⁷¹ Currently there is no funding in the budget for this program.

⁷² Florida House of Representatives, “Final Bill Analysis CS/HB 5201,” March 19, 2012, p. 9, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/15/12).

⁷³ See <http://gradtx.org/> (last visited 5/18/12).

⁷⁴ Texas Higher Education Coordinating Board, “Self-Evaluation Report to the Sunset Advisory Commission,” September 1, 2011, p. 32, <http://www.theccb.state.tx.us/files/dmfile/SunsetSER2011Final5.pdf> (last visited 5/18/12).

⁷⁵ For the bachelor’s degree program adult students must be at least 21 years old, completed at least 72 hours of college credit and had a minimum of 2.0 grade point average (gpa). For the associate’s degree program students must be at least 21 years old and completed at least 18 hours of college credit with a minimum gpa of 2.0. McElroy, T. and Blanke, D., “Reach Higher,” presentation, (Copy on file with the Government Efficiency Task Force staff).

⁷⁶ Southwester Oklahoma State University, “Reach Higher Program Information,” <http://www.swosu.edu/administration/registrar/reach-higher.asp> (last visited 6/1/2012).

⁷⁷ Only one bachelor’s degree in Organizational Leadership, and three associate’s degrees. McElroy, T. and Blanke, D., “Reach Higher,” presentation, (Copy on file with the Government Efficiency Task Force staff).

⁷⁸ Southwester Oklahoma State University, “Reach Higher Program Information,” <http://www.swosu.edu/administration/registrar/reach-higher.asp> (last visited 6/1/2012).

⁷⁹ Institute for Higher Education Policy, “Project Win-Win,” see <http://www.ihp.org/projectwin-win.cfm> (last visited 5/18/12).

⁸⁰ *Id.*

them, and seek to bring them back to complete the degree.⁸¹ Currently Broward College, Indian River State College, and St. Johns River State College will be serving as pilot colleges for Florida.⁸²

Excess Credits and Incentives

It is important for Florida that students graduate, on time, and without excess credits. A 2006 OPPAGA study found that excess credit hours cost the state \$62 million in Fiscal Year 2004-05.⁸³ Currently, the state charges a surcharge for students who graduate with excess credit hours. Florida requires a surcharge of 100 percent of tuition for each credit hour in excess of 110⁸⁴ percent of the number of credit hours required for completion of the students registered degree program.⁸⁵

Other states offer tuition incentives in the form of credits or discounts if students commit to meeting certain goals, such as graduating on time or early.⁸⁶ Other states like Texas offer \$1,000 in a tuition rebate for students who complete a bachelor's degree efficiently, taking as few courses outside their degree plan as possible.⁸⁷ To receive the rebate a student enrolled after high school graduation at a college or university for the first time in fall of 1997 or later, must graduate with no more than three semester credit hours in excess of the minimum number of credit hours required to degree.⁸⁸ Students enrolled after high school graduation at a college or university for the first time in fall 2005 or later must also graduate in a timely manner⁸⁹ to earn the rebate.⁹⁰

Recommendation:

The Subcommittee recommends the Blue Ribbon Task Force develop strategies to increase degree production. Example strategies may include incentives for timely and expedited completion of bachelor degrees, creating more three-year degree programs, and developing a statewide degree completer program. The Subcommittee recommends that the BRTF study Project Win-Win program, and its results at participating Florida colleges, to determine if this program (or similar program) could be applied to SUS institutions. The BRTF should investigate initiatives in other states to see the value to Florida of an adult completer program that requires state funding. The Subcommittee recommends the BRTF research the effectiveness of programs aimed at student retention in higher education.

⁸¹ *Id.*

⁸² Florida Department of Education, State Board of Education, "Elimination of College Level Academic Skills", July 20, 2011, <http://www.fldoe.org/cc/OSAS/Correspondence/pdf/07-11EliminationofCLAS.pdf> (last visited 5/18/12).

⁸³ OPPAGA, "Excess Hours Cost State \$62 Million Annually: University Actions May Help Address Problem", August 2006, p. 2, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0658rpt.pdf> (last visited 5/18/12).

⁸⁴ This was changed from 115 percent in HB 5201. OPAGGA estimated this reduction will save the state an additional \$11 million in FY 2012-13. See Florida House of Representatives, "Final Bill Analysis CS/HB 5201," March 19, 2012, p. 11, <http://www.myfloridahouse.gov/Sections/Documents/loadoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012>

⁸⁵ Chapter 2012-134, L.O.F.

⁸⁶ National Conference of State Legislatures, "Getting What You Pay For: Tuition Policy and Practice," November 2008, p. 3, <http://www.wiche.edu/info/gwypf/badolato.pdf> (last visited 5/18/12).

⁸⁷ See <http://www.collegeforalltexas.com/apps/financialaid/tofa2.cfm?ID=447> (last visited 5/18/12).

⁸⁸ *Id.*

⁸⁹ According to the most recent revision of this program, a timely manner is graduating in four calendar years for a four-year degree program or within five calendar years if the degree is in a program determined by the board to require more than four years to complete. See <http://www.collegeforalltexas.com/apps/financialaid/tofa2.cfm?ID=447> (last visited 5/18/12).

⁹⁰ *Id.*

D. SYSTEM EFFICIENCY

Sharpening the Pencil Act

Building off of the Best Financial Management Practice (BFMP) Reviews,⁹¹ the Legislature passed the “Sharpening the Pencil Act” in 2001 to assist school districts in identifying and realizing cost savings through implementation of best financial management practices.⁹² These reviews were intended to improve the use of resources, identify cost savings, and improve the districts’ performance accountability systems.⁹³ To achieve these goals, the Commissioner of Education was required to develop best practices in several areas, including efficient delivery of educational services, facilities construction and maintenance, performance accountability, and cost control systems.⁹⁴

The scope of the reviews focused on the best practices adopted by the Commissioner; however, OPPAGA could include additional items after seeking input from the district and the Department of Education.⁹⁵ The reviews culminated in a final report containing an action plan for addressing financial management. The total savings realized by Florida school districts from the BFMP and Sharpening the Pencil reviews,⁹⁶ over a five year period, was \$933,209,474.00.⁹⁷

University Audits

Currently, the Auditor General is required to conduct annual financial audits⁹⁸ of all state university and colleges, and at least every three years, conduct operational audits⁹⁹ of the accounts of state universities and colleges.¹⁰⁰ Audits are made to determine whether financial resources are properly accounted for; whether public officials comply with applicable laws, rules, regulations and other legal requirements; whether proper and effective internal controls are in place over entity operations; and whether assets are properly safeguarded.¹⁰¹

Recommendation:

The Subcommittee recommends the Board of Governors (BOG) create a “University Review Program.” This program should be similar to the K-12 system’s BFMP reviews and the “Sharpening the Pencil” Act. The university reviews should identify ways each university can achieve savings; improve management; and increase efficiency and effectiveness. The BOG should compile a list of best practices, including innovative strategies successfully implemented at individual universities. While the Subcommittee recognizes the Auditor

⁹¹ BFMP reviews were an assessment system based on a comprehensive set of best practices to improve school districts’ management and use of resources. The best practices covered a broad range of school district educational and program services. *See* Section 11.515, F.S., repealed in 2001 (*see* Chapter 2001-86, L.O.F.). These reviews were in depth projects which involved reviewing district operations at the individual program level. *See* Florida House of Representatives Committee on General Education, “Final Analysis: CS/CS/HB 0269,” June 1, 2001, p. 10 (Copy on file with Government Efficiency Task Force staff).

⁹² Florida House of Representatives Committee on General Education, “Final Analysis: CS/CS/HB 0269,” June 1, 2001, p. 10 (Copy on file with Government Efficiency Task Force staff).

⁹³ *Id.*

⁹⁴ Chapter 2001-86, L.O.F.

⁹⁵ Section 230.2302(2), F.S., subsequently changed to Section 1008.35(2), F.S. in 2002 (*See* Chapter 2002-387, L.O.F.)

⁹⁶ These reviews have not been funded by the Legislature since 2004. Kinsley, Chris, Email from Florida BOG, May 31, 2012., (Copy on file with Government Efficiency Task Force staff).

⁹⁷ The Best Financial Management Practices reviews and Sharpening the Pencil reviews conducted by OPPAGA achieved an annual savings of \$186,641,894.90, or a total savings of \$933,209,474.00 over five years. OPPAGA, “Sharpening the Pencil: Reviews by District,” <http://www.oppaga.state.fl.us/districtlist.aspx> (last visited 5/2/2012). For more information on the Best Financial Management Practices reviews, *see* s. 11.515, F.S., repealed in 2001 (*see* Chapter 2001-86, L.O.F.).

⁹⁸ Section 11.45(1)(c), F.S.

⁹⁹ Section 11.45(1)(g), F.S.

¹⁰⁰ Section 11.45(2)(c) and (f), F.S.

¹⁰¹ Florida House of Representatives, “Final Bill Analysis CS/HB 5201,” March 19, 2012, p. 2,

<http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/15/12).

General's Office conducts financial and operational audits to promote government accountability and stewardship and improve government operations,¹⁰² the objectives¹⁰³ of these audits are broader than the purpose of the recommended "University Review Program". The "University Review Program's" main focus should be on cost saving strategies and efficiencies.

E. SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (STEM) DEGREES

STEM Degrees

Research conducted by the Center on Education and the Workforce at Georgetown University found the risk of unemployment among recent graduates, along with the amount of money a graduate makes, depends on their major.¹⁰⁴ Median earnings among recent college graduates is \$36,000 higher for a Computer Engineering major than a Physiology major.¹⁰⁵ This is just one indicator of the importance of STEM degrees in today's economy.

A major factor in Florida's future economic growth will be the ability of the state university and state college systems to promote economic growth and meet the needs of the state's businesses. In order to do this, Florida's universities must produce more graduates in STEM fields, increase their STEM research productivity that can be commercialized and expanded into new economic opportunities, and build strong relationships with the business community to expand services such as business incubators that will promote targeted economic growth.¹⁰⁶ Governor Scott recognized the importance of STEM initiatives and included it as one of his seven key steps in the Governor's 2102 Job Creation and Economic Growth Agenda.¹⁰⁷

Florida is a leader in multiple high-tech sectors, ranking among the top four in space and defense systems manufacturing, photonics manufacturing, internet and telecommunications services, engineering services, and computer training.¹⁰⁸ Overall, Florida ranks fifth in the nation for employing high-tech workers.¹⁰⁹ Although the research has not effectively addressed the human and financial capital necessary to generate a sufficient STEM talent pool, the current economic landscape demands that targeted investments be made, not in spite of the economic downturn, but rather because of it.¹¹⁰ The leading companies and clusters that will emerge over the next 20 years will locate themselves in states where they have access to a top-quality workforce.¹¹¹

The Florida Council of 100 found that within five years, Florida will need at least 100,000 more science and technology professionals than we are currently on track to produce.¹¹² By 2018, Florida's economy will

¹⁰² Florida Auditor General Office, "Annual Report of the Auditor General," p.7, http://www.myflorida.com/audgen/pages/pdf_files/2012-072.pdf (last visited 5/15/12).

¹⁰³ See Florida Auditor General Annual Report 2010-11, p. 10, http://www.myflorida.com/audgen/pages/pdf_files/annual%20report%202011.pdf (last visited 5/15/12).

¹⁰⁴ Carnevale, A., Cheah, B., Strohl, J., "Hard Times: College Majors, Unemployment and Earnings: Not All College Degrees are Created Equal," Georgetown University Center for Education and the Workforce, January 4, 2012, p. 4, <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Unemployment.Final.pdf> (last visited 5/23/12).

¹⁰⁵ *Id.*, at p. 6.

¹⁰⁶ Governor Rick Scott, "2012 Job Creation and Economic Growth Agenda," October 13, 2011, p. 7, <http://www.flgov.com/wp-content/uploads/2011/12/2012JobsFINAL.pdf>, (last visited 5/23/12).

¹⁰⁷ *Id.*, p. 6.

¹⁰⁸ TechAmerica Foundation, "Florida Is the 5th Largest Cyberstate by Tech Employment," October 5, 2011, <http://www.techamericafoundation.org/cyberstates2011-florida> (last visited 5/23/12).

¹⁰⁹ *Id.*

¹¹⁰ Florida Senate, "Review the Effect of State High School Graduation Requirements on Student Preparation for Postsecondary Education and the Workforce," October 2009, p. 1, http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim_reports/pdf/2010-112ed.pdf (last visited 5/23/12).

¹¹¹ Florida Council of 100, "Closing the Talent Gap: What Florida Needs from its Talent Supply Chain," 2010, p. iii, http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap_2010.pdf (last visited 5/30/12).

¹¹² *Id.*

demand a total of 385,010 STEM jobs, up from 322,560 in 2008.¹¹³ Of those jobs, 58 percent will require a bachelor's degrees or higher and a total of 89 percent will require some postsecondary education and training.¹¹⁴ Currently,¹¹⁵ less than 20 percent of bachelor's degrees awarded through the SUS¹¹⁶ were in STEM fields.¹¹⁷

Florida's STEM Strategic Plan Efforts

In 2007, the Legislature created the Florida Center for Research in Science, Technology, Engineering and Mathematics (FCR-STEM).¹¹⁸ FCR-STEM is housed at Florida State University's Learning System's Institute.¹¹⁹ FCR-STEM's mission is to help the State of Florida improve teaching and learning in K-12 science, technology, engineering and math and prepare students for higher education and STEM careers in the 21st century.¹²⁰ A National Governor's Association (NGA) response to an FCR-STEM grant proposal, noted:

Florida's gap analysis completed for NGA's grant application indicates that the state has many STEM partners, programs, and activities, but they are not well connected, aligned, or working cooperatively to achieve the common goal of improving student achievement in STEM areas. Additionally, despite these multiple STEM programs in public schools, colleges, universities, Space Florida, and STEM-related business and industry, student achievement in STEM content areas and programs is not where it needs to be for students' future success in these areas. Secondary students lack essential competencies to succeed in postsecondary STEM education and 21st Century STEM careers. As a result, employers are looking outside of Florida and the nation to fill high skill STEM positions.¹²¹

As a result of the NGA's findings, FRC-STEM, in partnership with the Florida Chamber of Commerce (Florida Chamber Foundation), established a task force to develop a cohesive state plan to engage the educational and workforce entities essential to create a sustained and high skilled workforce and a more viable state economy.¹²² In 2009, Workforce Florida, Inc announced a request for proposal (RFP) to provide funding in support of efforts to improve STEM outcomes in Florida.¹²³ In order to avoid duplication of efforts and increase the likelihood of developing a STEM Plan that would have a state-wide impact, leaders of the FCR-STEM task force decided to collaborate with the Consortium of Florida's Education Foundation and others in responding to the RFP.¹²⁴ *STEMflorida* initiative was selected¹²⁵ and the eventual result was the Florida STEM Strategic Plan issued in December 2011.¹²⁶

¹¹³ Carneval, A., Smith, N. Melton, M., "STEM State-Level Analysis," Georgetown University Center for Education and the Workforce, October 20, 2011, p. 21, http://www.mcla.edu/About_MCLA/uploads/textWidget/4175.00014/documents/stem-states-complete.pdf (last visited 5/23/12).

¹¹⁴ *Id.*

¹¹⁵ FY 2010-11

¹¹⁶ However, 37 percent bachelor's degrees were in areas of strategic emphasis which include STEM, globalization, security/emergency services, health professions, education (critical). State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 12, [http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/23/12).

¹¹⁷ State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 12, [http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/23/12).

¹¹⁸ Section 59, ch. 2006-60, L.O.F., (codified in s. 1004.86, F.S.) instructed the Department of Education to competitively select a public or private university to create and operate the Florida Center for Mathematics and Science Education Research for purposes of increasing student achievement in mathematics and science, with an emphasis on K-12 education.

¹¹⁹ The Learning Institute, Florida State University "Florida State Center in Research Science, Technology, Engineering & Mathematics," http://www.lsi.fsu.edu/centers/fcrstem/documents/brochure_fcrstem.pdf (last visited 5/23/12).

¹²⁰ *Id.*

¹²¹ Florida Senate, "Review the Effect of State High School Graduation Requirements on Student Preparation for Postsecondary Education and the Workforce," October 2009, p. 7, http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim_reports/pdf/2010-112ed.pdf (last visited 5/23/12).

¹²² *Id.*, at p. 8.

¹²³ *Id.*, at p. 6.

¹²⁴ *Id.*

The STEM Strategic Task Force was composed of over 70 members of the business, industry, education, policy and philanthropic communities, who relied on state of the state reports, literature reviews, roundtable discussions, and earlier initiatives to gain a clear picture of both the current and the disagreed STEM performance in Florida, and business-recommended and evidence-based strategies for overcoming that gap.¹²⁷ The plan focuses on three main areas: students, educators, and sustainable infrastructure.¹²⁸ For students, the goal is to increase the percentage of students successful at each level to ensure our diverse population is:

- Capable of conducting real-world STEM projects and inquiry
- Capable of authentic and collaborative problem solving;
- Proficient in applying multidisciplinary knowledge and skills through STEM;
- Proficient in English and other languages in order to succeed on a global scale; and
- Knowledgeable about and interested in STEM careers.¹²⁹

For educators, the goal is to increase the quality of STEM educators.¹³⁰ Lastly, for a sustainable infrastructure, the goal is to create a statewide sustainable STEM leadership organization to align existing and emerging STEM initiatives and represent Florida as one voice in meeting STEM demands.¹³¹

The Legislature, noticing the lack of a statewide strategic STEM plan, passed HB 7135 in 2012.¹³² HB 7135 requires the SBE, in consultation with the BOG and the Department of Economic Opportunity, to adopt a unified plan to improve K-20 STEM education and prepare students for high-skill, high-wage, and high-demand employment in STEM and STEM-related fields.¹³³

Economic Security Report (HB 7135 – Post Secondary Education)¹³⁴

Passed during the 2012 Regular Session, HB 7135 requires the Department of Economic Opportunity (DEO) to prepare, or contract with an entity to prepare, an annual *Economic Security Report* of employment and earning outcomes report using Florida Education and Training Placement Information Program (FETPIP) data, FCS data, SUS data, and the Integrated Postsecondary Education Data System (IPEDS). The report will include information on graduates, degrees, education delivery system, public assistance, student loan debt, employment, income, continuing education, and graduate degrees for all students who earn a degree in the SUS, the FCS, and those who hold industry certifications.

Beginning in the 2014-15 academic year and each year thereafter, SUS institutions and FCS institutions will be required to provide students with the DEO report by the time of course registration. Each state university is also required to provide students with information detailing the top 25 percent and lowest 10 percent of degrees in regard to earnings.

State University Accountability and Strategic Plan (HB 7135 – Post Secondary Education)¹³⁵

The State University System Strategic Plan 2005-2013¹³⁶ outlined seven accountability measures for the SUS: graduation rates, degree production, meet statewide and professional workforce needs, enroll underserved

¹²⁵ *Id.*, at p. 8.

¹²⁵ FCR-STEM, “Florida STEM Strategic Plan,” December 2011, p. 6,

http://www.lsi.fsu.edu/centers/fcrstem/resources/documents/floridaSTEM_strategic_plan_dec2011.pdf (last visited 5/23/12).

¹²⁶ See http://www.lsi.fsu.edu/centers/fcrstem/resources/documents/floridaSTEM_strategic_plan_dec2011.pdf (last visited 5/23/12).

¹²⁷ FCR-STEM, “Florida STEM Strategic Plan,” December 2011, p. 1,

http://www.lsi.fsu.edu/centers/fcrstem/resources/documents/floridaSTEM_strategic_plan_dec2011.pdf (last visited 5/23/12).

¹²⁸ *Id.*

¹²⁹ *Id.*, at p. 11

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² See Chapter 2012-118, L.O.F.

¹³³ *Id.*

¹³⁴ Florida Legislature, “HB 7135,” 2012, <http://flsenate.gov/Session/Bill/2012/7135/BillText/er/PDF> (last visited 5/3/2012). See also Chapter 2012-196, L.O.F.

¹³⁵ *Id.*

populations, licensure passage, academic learning compacts, and build world-class nationally recognized programs.¹³⁷ HB 7135 expands the specific performance metrics and standards used to monitor the performance at the system level in each of the major areas of instruction, research, and public service, while recognizing the differing mission of each of the state universities. Metrics are to be included in the SUS strategic plan, and university and system progress will be reported annually in the accountability plans. The bill does not delineate the specific performance metrics and standards common to all institutions or metrics and standards unique to institutions depending on institutional core missions, but specifies certain metrics and standards, including: admission requirements, graduation, retention, employment, continuing education, licensure passage, excess hours, student loan burden and default rates, and well-known, highly-respected national rankings for institutional and program achievements.

The university system accountability process requires each board of trustees to submit to the BOG a university annual report that describes progress regarding articulated goals and summarizes other key data, including the abovementioned performance metrics, with accompanying narrative to highlight or explain information. The plan must include student enrollment and performance data by method of instruction including traditional, online, and distance learning. The BOG must submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives. This accountability process provides for the systematic, ongoing evaluation of quality and effectiveness of state universities by the BOG. The strategic plan must also consider reports and recommendations of the HECC and the Articulation Coordinating Committee (ACC).

Recommendation:

The Subcommittee is aware of the high degree of interest among policy makers in increasing the production of science, technology, engineering, and mathematics (STEM) degrees in the State of Florida and concurs with that as a stated and laudable goal of the Blue Ribbon Task Force (BRTF). The Subcommittee recommends the BRTF review methods to increase the production of STEM degree graduates in the SUS, and in doing so, consider the actions of HB 7135 (Chapter 2012-195, L.O.F.) and the creation of a statewide STEM strategic plan. Graduates with STEM degrees have high employment rates and are drivers of economic progress for the State of Florida. Efforts, like those in HB 7135, should be encouraged and expanded. The BRTF should look at the strategic plan developed by FCR-STEM, but also examine initiatives other states have undertaken related to statewide STEM planning. The BRTF should make sure to investigate Florida's economy and identify STEM fields that are most important to expanding our economy and include in the plan.

The plan should establish metrics that enable all those involved with higher education to understand the economic impact of particular degree programs at each SUS institution. Beyond the requirements of HB 7135's Economic Security Report, this should involve a cost per degree assessment to provide students with the economic value based on a degree holders' median earnings. Multiple performance measures should be developed to provide the absolute and relative economic value of degree programs, and provide transparency to those involved the process so resource and allocation decisions can be based on a higher return on investment to the State and our citizens.

The plan must take into account, coordinate, and streamline all STEM initiatives taking place throughout the K-20 system. STEM initiatives taking place at all higher education institutions must factor into the development of the State University Accountability and Strategic Plan¹³⁸ including adding a metric for number of STEM degree's produced by each state university and college.

¹³⁶ The most recent strategic plan *State University System Strategic Plan 2012-2025*, published in November 2011, includes 28 BOG identified performance indicators to measure progress toward the SUS 2025 goals. See http://www.flbog.edu/pressroom/doc/2011-11-28_Strategic_Plan_2012-2025_FINAL.PDF (last visited 5/2/2012).

¹³⁷ Board of Governors, "State University System Strategic Plan 2005-2013," 2005, p. 42, http://www.flbog.edu/about/doc/strategicplan/StrategicPlan_05-13.pdf (last visited 5/16/2012).

¹³⁸ As required by HB 7135. See Chapter 2012-196, L.O.F.

F. FACILITY UTILIZATION

PECO

Public Education Capital Outlay program (PECO) is Florida's primary source of facility funding for the SUS which utilizes the funds for new teaching and research facilities and to keep existing buildings functional with deferred maintenance spending.¹³⁹ PECO was established in 1963 by constitutional amendment to fund public higher education construction and maintenance projects.¹⁴⁰ PECO works to fund Florida's long-term need for education facilities with a portion of the gross receipts tax (GRT) on utilities, including electricity, telecommunications and cable.¹⁴¹ The GRT is utilized to borrow money at very low interest rates by issuing tax-exempt PECO bond offerings.¹⁴² Currently, PECO bonds¹⁴³ account for nearly 40 percent of the state's debt.¹⁴⁴

Within the SUS, fixed capital outlay expenditures are based on 3-year¹⁴⁵ and 5-year¹⁴⁶ plans provided by the institutions.¹⁴⁷ The plans are submitted to the BOG, who approves a 3-year PECO list.¹⁴⁸ The list is then sent to the Legislature, which determines the projects to receive PECO funding. Additionally, SUS institutions have a supplementary revenue source for capital improvements in the Capital Improvement Trust Fund Fee (CITF) and the building fee.¹⁴⁹

Postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects.¹⁵⁰ In January 2012, the Revenue Estimating Conference reduced PECO funding amount to zero for the next two years^{151,152} It is critical SUS institutions utilize existing facilities as efficiently as possible, because increasing building utilization can delay the need for new classrooms.¹⁵³ The BOG has identified the importance of utilization in these tough economic times. For the 2013-14 Fixed Capital Outlay Budget Request, the BOG required SUS universities to consider utilization in the prioritization of their projects.¹⁵⁴

¹³⁹ State University System of Florida, Board of Governors, "Fact Sheet: Public Education Capital Outlay (PECO)," September 29, 2011, p. 1, http://www.flbog.org/resources/doc/publications/infobrief/9-2011_FACT_SHEET_Public-%20Education-Capital-Outlay-final.pdf (last visited 5/14/12).

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ Section 1010.62, F.S. establishes the process for authorizing and issuing university debt and identifies the revenues that are available for payment of fixed capital outlay debt over a period of time.

¹⁴⁴ Florida TaxWatch, "Public Education Capital Outlay," May 20, 2011, p. 2, <http://www.floridatextwatch.org/resources/pdf/05202011PECOFUNDSReport.pdf> (last visited 5/14/12).

¹⁴⁵ As required by Section 1013.64, F.S.

¹⁴⁶ As required by Section 1013.31, F.S.

¹⁴⁷ Florida State University, "Major Project Funding Process," March 16, 2012, http://www.facilities.fsu.edu/FDC/Major_Funding.php (last visited 5/14/12).

¹⁴⁸ State University System of Florida, Board of Governors, "Fact Sheet: Public Education Capital Outlay (PECO)," September 29, 2011, p. 1, http://www.flbog.org/resources/doc/publications/infobrief/9-2011_FACT_SHEET_Public-%20Education-Capital-Outlay-final.pdf (last visited 5/14/12).

¹⁴⁹ Section 1009.24(8), F.S. establishes the Capital Improvement Trust Fund Fee (CITF) and the building fee. Prior to this legislative session, the CITF was capped at \$2.44 per credit hour and the building fee was capped at \$2.32 per credit hour. HB 5201 (see Chapter 2012-134, L.O.F) allows universities to increase the CITF up to 10 percent of tuition or the sum of tuition and out-of-state fees as approved by a fee committee and the board of trustees. The fee may increase no more than \$2 per credit hour over the prior year for resident students.

¹⁵⁰ OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," March 2006, p. 3, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/12).

¹⁵¹ FY 2012-13 and FY 2013-14

¹⁵² Revenue Estimating Conference, January 13, 2013, <http://edr.state.fl.us/content/conferences/peco/pecoexec.pdf> (last visited 5/15/12).

¹⁵³ OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," March 2006, p. 3 and p. 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/12).

¹⁵⁴ Jones, Tim, "2013-14 Fixed Capital Outlay Budget Request General Instructions", Memo to University Presidents, August 1, 2012, p. 2, <http://flbog.edu/about/doc/cod/cipinstructions/1-CIP-General-Instructions.pdf> (last visited 5/15/12).

Utilization

Florida law requires classrooms to be used at least 40 hours per week and that 60% student stations are to be occupied.¹⁵⁵ The statutory language for higher education presumes a 40 hour work week, based primarily on faculty schedules of the past, and the standard 40-hour work week.¹⁵⁶ With the addition of distance learning, expansion of adjunct faculty, and other non-traditional approaches that blend classroom and non-classroom instruction, the 40-hour paradigm may no longer be the most appropriate bench mark.¹⁵⁷

A 2006 OPPAGA report found classrooms at some state universities and colleges were underutilized.¹⁵⁸ As a result of this report, the BOG established a facilities task force in May 2006 which made recommendations for updating the formulas used in the planning process to determine need for additional classrooms and other types of instructional and non-instructional space. Currently, the BOG has not acted on the recommendations to update to the formula.¹⁵⁹ In a 2009 follow up report, OPPAGA found that higher education classroom utilization remains low during some time periods despite the efforts of some postsecondary institutions.¹⁶⁰ OPPAGA noted that more state-level action is needed to improve classroom utilization and the facilities planning process.^{161,162} This year the BOG has established another Facilities Task Force, which is required to produce final recommendations by November 7, 2012.¹⁶³ The Facilities Task Force's focus will be on studying ways to address the "facilities funding crisis."¹⁶⁴

Recommendation:

The Subcommittee recommends the Blue Ribbon Task Force review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for PECO funds. The BOG should make recommendations to the BRTF for consideration regarding maximization of facility usage and optimum facility utilization. Other recommendations should focus on ways to improve utilization data to ensure postsecondary institutions are meeting their potential for enrollment and whether steps are necessary to address underutilization at these sites.¹⁶⁵

G. UNIVERSITY FUNDING

State universities receive funding from state appropriations, student tuition and fees, private sources, and federal programs.¹⁶⁶ This year's budget provided about \$3.5 billion to the SUS.¹⁶⁷ According to the BOG, the SUS's overall budget was in excess of \$9.7 billion last year.¹⁶⁸

¹⁵⁵ Section 1013.03(2), F.S.

¹⁵⁶ FCS & State University System of Florida, "Florida Higher Education Classroom Utilization Study," 2011, p. 2, (copy on file with the Government Efficiency Task Force staff).

¹⁵⁷ *Id.*

¹⁵⁸ OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," March 2006, p. 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/12).

¹⁵⁹ *Id.*, at p. 5.

¹⁶⁰ OPPAGA, "More State Direction Could Increase the Utilization of Higher Education Classrooms", April 2009, p. 2, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0925rpt.pdf> (last visited 5/15/12).

¹⁶¹ *Id.*, at p. 5.

¹⁶² The FCS and BOG conducted their own higher education utilization study. For their results see FCS & State University System of Florida, "Florida Higher Education Classroom Utilization Study," 2011, p. 2, (copy on file with the Government Efficiency Task Force staff).

¹⁶³ SUS Facilities Task Force, "Meeting Materials," April 30 – May 1, 2012, p. 15, http://www.flbog.edu/documents_meetings/0166_0596_4749_Agenda%20and%20Meeting%20materials.pdf (last visited 5/15/12).

¹⁶⁴ Wilmath, Kim, "Board of Governors to study facilities funding", March 21, 2012, <http://www.tampabay.com/blogs/the-buzz-florida-politics/content/board-governors-study-facilities-funding> (last visited 5/15/12).

¹⁶⁵ Recommendation from OPPAGA 2009 study, see <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0925rpt.pdf> (last visited 5/15/12).

¹⁶⁶ OPPAGA, "Government Program Summaries: Education System State University System", October 3, 2011, p. 3, <http://www.oppaga.state.fl.us/profiles/2101/> (last visited 5/15/12).

¹⁶⁷ Kinsley, Chris, Email from BOG, May 31, 2012, (Copy on file with Government Efficiency Task Force staff).

Performance-based Funding

Performance-based funding (or Outcomes-based funding) is a postsecondary finance strategy that links state funding for public colleges and universities with institutional performance.¹⁶⁹ Unlike traditional funding, which has been based on linking appropriations to enrollment growth, performance-based funding link state appropriations to outcomes that align with the state's goals and priorities.¹⁷⁰ Performance-based funding has been promoted as a policy option for improving campus productivity and boosting college completion by The Lumina Foundation, Bill and Melinda Gates Foundation, College Board, National Conference of State Legislatures, National Governors Association, and Education Commission of the States.¹⁷¹ The main components for performance-based funding are goals, measurements and incentives.¹⁷² In order to be successful, these three components must be aligned and complementary with each other.¹⁷³ There are three main delivery models that link state funding and campus outcomes: output-based funding, performance contracts, and performance set-asides.¹⁷⁴ Output-based systems are funding formulas linking state funding and outputs.¹⁷⁵ Performance contracts are negotiated agreements between states and institutions to achieve results.¹⁷⁶ Finally, performance set-asides are a separate portion of state funding designed to improve university performance, which may be a bonus fund or a separate portion of a regular state appropriation.¹⁷⁷

There are many advantages to performance based funding. It can lead to greater awareness of performance on college campuses, while improving the delineation of state and institutional priorities.¹⁷⁸ Performance-based funding can enhance transparency and accountability and increase productivity.¹⁷⁹

Other States Using Performance-based Funding

Tennessee

Tennessee, which first implemented performance-based funding in 1979, passed legislation in 2010¹⁸⁰ to restructure the state's higher education funding model.¹⁸¹ They have changed their primarily enrollment-

¹⁶⁸ FY 2011-12. The SUS budget is divided into five major components: Education and General state and tuition funds, Contracts and Grants, Auxiliary Services, Local Funds, and Faculty Practice Plans. State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 22,

[http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/18/12).

¹⁶⁹ American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing", June 2011, p. 2, http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf (last visited 5/18/12).

¹⁷⁰ Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 1, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/12).

¹⁷¹ American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing", June 2011, p. 2, http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf (last visited 5/18/12).

¹⁷² *Id.*

¹⁷³ Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 1, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/12).

¹⁷⁴ *Id.*

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*, at p. 3.

¹⁷⁷ *Id.*

¹⁷⁸ Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 6, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/12).

¹⁷⁹ *Id.*, at p. 7.

¹⁸⁰ Tennessee SB 7006, see http://tn.gov/thec/complete_college_tn/ccta_files/ccta/Pub%20Chap%203%20-%201st%20Ex%20Sess.PDF (last visited 5/21/12).

¹⁸¹ Hermes, Jim, "States trend toward performance funding," Community College Times, February 17, 2012, <http://www.communitycollegetimes.com/Pages/Funding/States-trend-toward-performance-funding.aspx> (last visited 5/21/12).

driven higher education finance system to an output-based approach¹⁸² which will eventually tie 100 percent of state funding for two and four-year colleges and universities to a new set of outcome-based metrics.¹⁸³ Currently, Tennessee is the only state utilizing outcomes and an institution-specific weighting structure to completely replace the enrollment-based funding model in higher education finance policy.¹⁸⁴ The Tennessee model weights outcomes for each institution separately,¹⁸⁵ which allows the model to be tailored to an institution's specific mission.¹⁸⁶ Each institution's formula calculation is independent of other institutions and there are no state-imposed targets or pre-determined goals.¹⁸⁷ The allocation of available state appropriations is competitive and the distribution follows a pro-rata share of each institution's formula calculation.¹⁸⁸ For instance, if the state funds 50 percent of the overall higher education request, then each institution will receive 50 percent of its outcomes formula request.¹⁸⁹ Every year the funding allocation for higher education is available again; no institutions are entitled to appropriations based on prior-year funding.¹⁹⁰

The Tennessee Higher Education Commission cited several advantages of the outcome-based model including:

- Multiple measures of productivity, previously unaccounted for, will now be credited to the institution.
- The formula is not prescriptive in how to achieve success and excellence.
- The model does not penalize failure to achieve pre-determined goals.
- The model emphasizes unique institutional mission.
- The model is more flexible and can accommodate future shifts in mission or desired outcomes.
- The model is more transparent and simpler for state government.
- The model is directly linked to the educational attainment goals of Tennessee's Public Agenda for higher education.¹⁹¹
- The model establishes a framework for government to have an ongoing policy of discussion with higher education.
- The model is adjustable to account for new outcomes or a different policy focus by changing the weights.¹⁹²

This model allows state government to be clear in its expectations for higher education while institutions are given wide latitude in organizational, budgetary, programmatic and academic matters.¹⁹³ The state

¹⁸² Community Colleges and four-year state colleges and universities are also treated differently, allowing the formulas to account for differences in institutional missions. American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing", June 2011, p. 6,

http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf (last visited 5/18/12).

¹⁸³ Hermes, Jim, "States trend toward performance funding," Community College Times, February 17, 2012,

<http://www.communitycollegetimes.com/Pages/Funding/States-trend-toward-performance-funding.aspx> (last visited 5/21/12).

¹⁸⁴ Presentation by Tennessee Higher Education Commission, "Tennessee's Outcomes-Based Funding Formula," p. 11-12, (copy on file with the Government Efficiency Task Force staff).

¹⁸⁵ For instance, if research has a larger role in an institutions mission, it gets weighted more heavily in the model. Presentation by Tennessee Higher Education Commission, "Tennessee's Outcomes-Based Funding Formula," p. 19, (copy on file with the Government Efficiency Task Force staff).

¹⁸⁶ Presentation by Tennessee Higher Education Commission, "Tennessee's Outcomes-Based Funding Formula," p. 19, (copy on file with the Government Efficiency Task Force staff).

¹⁸⁷ *Id.*, at p. 45.

¹⁸⁸ *Id.*, at p. 46.

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*, at p. 47.

¹⁹¹ The Tennessee Public Agenda for higher education establishes the direct link between the state's economic development and its educational system. The overarching goal is to have Tennessee meet the projected national average in educational attainment by 2025. See http://tn.gov/thec/complete_college_tn/ccta_summary.html (last visited 5/21/12).

¹⁹² Presentation by Tennessee Higher Education Commission, "Tennessee's Outcomes-Based Funding Formula," p. 53-56, (copy on file with the Government Efficiency Task Force staff).

¹⁹³ *Id.*, at p. 59.

provides incentives for achievement, but is not interfering with instructional judgments about how to achieve these goals.¹⁹⁴

Pennsylvania

The Pennsylvania State System of Higher Education (PASSHE) has been cited by the Lumina Foundation for Education as a national leader in performance-based funding. In 2000, PASSHE implemented performance funding, allocating a portion of its funds each year to reward those institutions that demonstrate improvements in key areas including student achievement.¹⁹⁵ Since implementing performance-based funding, PASSHE has experienced significant changes in its campuses' attitudes toward performance, with gains cited in student retention and graduation rates, campus diversity, program quality and faculty productivity.¹⁹⁶ The average number of credits at graduation has decreased while retention and graduation rates have increased.¹⁹⁷

In 2011, PASSHE approved a new performance-based funding system that will replace the system old system that had been in place since 2000.¹⁹⁸ Pennsylvania's goal for their new system is to emphasize results instead of inputs; be aligned with PASSHE's strategic goals and national accountability efforts; create a funding system that will reduce competition among universities; and allow for institution-specific measures.¹⁹⁹ The new system is based on the core values of student success, access, and institutional stewardship of resources.²⁰⁰ Each PASSHE university is measured on 10 performance indicators, five of which will be the same for all institutions and five will be selected by the individual universities based on their strategic goals.²⁰¹ All indicators will measure the universalities progress toward institution-specific goals and against external comparisons or expectations.²⁰² The new model changes how money is appropriated. Under this model the performance funding pool will be set at 2.4 percent of PASSHE's total Educational and General Appropriation, resulting in approximately the same funding level but ensuring greater productivity for universities.²⁰³

Texas

In 2011 the Texas legislature passed the "Higher Education Outcomes-Based Funding Act"²⁰⁴ which required the Texas Higher Education Coordinating Board to include in its biennial funding proposal to the Legislature a portion of funding (no more than 10 percent of the total appropriations for higher education) to reward institutions for achieving student success outcomes, such as increased graduation rates.²⁰⁵ In April 2012, the Texas Higher Education Coordinating Board approved recommendations for outcomes-based

¹⁹⁴ *Id.*

¹⁹⁵ Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 2, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/12).

¹⁹⁶ American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing", June 2011, p. 3, http://www.congressweb.com/aascu/docfiles/Performance_Funding_AAASCU_June2011.pdf (last visited 5/18/12).

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*, at p. 6.

¹⁹⁹ Snyder, Martha, "Pennsylvania's Performance Funding System, March 2011 Case Study," December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/12).

²⁰⁰ American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing", June 2011, p. 6, http://www.congressweb.com/aascu/docfiles/Performance_Funding_AAASCU_June2011.pdf (last visited 5/18/12).

²⁰¹ Snyder, Martha, "Pennsylvania's Performance Funding System, March 2011 Case Study," December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/12).

²⁰² Marshall, Kenn, "PASSHE revises performance funding program," Pennsylvania State System of Higher Education, January 20, 2011, <http://www.passhe.edu/inside/ne/press/Lists/Press%20Releases/DispForm.aspx?ID=461> (last visited 5/21/12).

²⁰³ Snyder, Martha, "Pennsylvania's Performance Funding System, March 2011 Case Study," December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/12).

²⁰⁴ Texas HB 9, 2011, *see* <http://www.legis.state.tx.us/tlodocs/82R/billtext/pdf/HB00009F.pdf#navpanes=0>

²⁰⁵ National Conference of State Legislatures, "Higher Education Legislation in 2011," <http://www.ncsl.org/issues-research/educ/highereducationlegislation2011.aspx> (last visited 5/21/12).

funding. For two-year colleges, 10 percent of funding would use the outcomes-based methodology beginning in 2014-15.²⁰⁶ These institutions would earn momentum points for the number of students annually completing certain metrics and the funding would be allocated to an institution in proportion to its share of the total momentum points earned statewide.²⁰⁷

For universities, the proposal would institute an outcomes-based allocation model to be funded outside the instruction and operations formula with 10 percent of funding that would have been allocated to undergraduate weighted credit hours.²⁰⁸ The university model allocates funds based on a three-year rolling average of institutions' performance on certain metrics, which are all weighted the same²⁰⁹ and based only on undergraduates.²¹⁰ The board noted that because the state's public health-related institutions have high graduation rates and do not face the same challenges with increasing student degree attainment as Texas' public universities and two-year colleges, they were not recommended for outcomes-based funding.²¹¹

Florida Performance-based Funding Initiatives

Colleges

The FCS first implemented performance-based funding in FY 1996-97, when the Legislature provided a specific appropriation for performance incentives.²¹² The most recent year the Legislature appropriated funding for performance incentives was FY 2008-09.²¹³ Performance-based funding was distributed on a formula approved by the Council of Presidents and recommended to the Legislature. The formula recognized performance in efficiency (time to degree), program completions, degrees and certificates awarded, job placements, and meeting critical employment needs.²¹⁴

Performance funding was applied to as much as six percent of total college funding.²¹⁵ Florida did realize some success from the performance-based funding system. Over a six-year period, remedial students passing the highest remedial course within two years increased by 7.6 percent for reading, 4.3 percent by math, and 4.6 percent for writing.²¹⁶

SUS Performance Based Funding (HB 7135 – Post Secondary Education)

For Fiscal Year 2012-13, the Legislature allocated \$15 million²¹⁷ for performance funding for state universities.²¹⁸ Passed during the 2012 Regular Session, HB 7135 outlines the formula by which the BOG must review and rank each state university that applies for performance funding:

²⁰⁶ Texas Higher Education Coordinating Board, "Formula Funding Recommendations 2012," April 2012, p. 8, <http://www.theccb.state.tx.us/reports/PDF/2591.PDF?CFID=28381880&CFTOKEN=98685641> (last visited 5/21/12).

²⁰⁷ *Id.*

²⁰⁸ *Id.*, at p. 9.

²⁰⁹ One metric, critical field's factor (degrees awarded in fields identified as critical workforce needs such as Computer Science, Engineering, Math, Physics, Nursing, Allied Health and Teaching Certificates for Math and Science) are weighted double. Texas Higher Education Coordinating Board, "Formula Funding Recommendations 2012," April 2012, p. 9, <http://www.theccb.state.tx.us/reports/PDF/2591.PDF?CFID=28381880&CFTOKEN=98685641> (last visited 5/21/12).

²¹⁰ Graduate and professional students are excluded from the calculation. Texas Higher Education Coordinating Board, "Formula Funding Recommendations 2012," April 2012, p. 9, <http://www.theccb.state.tx.us/reports/PDF/2591.PDF?CFID=28381880&CFTOKEN=98685641> (last visited 5/21/12).

²¹¹ Texas Higher Education Coordinating Board, "Formula Funding Recommendations 2012," April 2012, p. 9, <http://www.theccb.state.tx.us/reports/PDF/2591.PDF?CFID=28381880&CFTOKEN=98685641> (last visited 5/21/12).

²¹² Florida College System, "Community College Funding" Email from FCS, May 23, 2011, (copy on file with Government Efficiency Task Force staff).

²¹³ *Id.*

²¹⁴ *Id.*

²¹⁵ Dougherty, K and Hong, E, "State Systems of Performance Accountability for Community Colleges: Impacts and Lessons for Policymakers," July 2005, p. 4 (copy on file with Government Efficiency Task Force.)

²¹⁶ *Id.*

²¹⁷ This is only .52% of the universities education and general activities funds (including tuition). Excluding tuition, it is only 1.18% of the universities education and general activities funds. See Governor Rick Scott's Office of Policy and Budget, "K-20 Funding Sources Report," April 23, 2012, (Copy on file with Government Efficiency Task Force Staff).

- Twenty-five percent of a state university's score must be based on the percentage of employed graduates who have earned degrees in computer and information science, computer engineering, information system technology, and management information systems.
- Twenty-five percent of a state university's score must be based on the percentage of graduates who earned baccalaureate degrees in the concentrations above and who earn industry certifications in a related field from a FCS institution or state university before beginning a baccalaureate degree program.
- Fifty percent of a state university's score must be based on factors determined by the BOG that relate to increasing the probability that graduates who have earned degrees in computer and information science, computer engineering, information systems technology, and management information systems will be employed in high-skill, high-wage, and high-demand jobs.

The BOG must award up to \$15 million to the highest-ranked state universities from funds appropriated for this purpose. The minimum amount awarded to a state university must be at least 25 percent of the total amount appropriated.

Colorado's Higher Education Voucher System

In May 2004, Colorado implemented the first, and to date only, voucher-based financing system for higher education statewide.²¹⁹ Colorado no longer appropriates money to institutions for undergrad education, but provides direct funding to instate undergraduate students through the "College Opportunity Fund" (COF).²²⁰ Students apply for and authorize the use of the voucher which is applied to the student's university bill.²²¹ Unlike most funding systems where taxpayer money that a university receives for each student is not transparent, this plan shows the state's contribution on the tuition bill.²²² The state directs university expenses through fee-for-service contracts and conditional funding based on performance measures.²²³ The fee-for-service contracts are negotiated between the institution and the state Department of Higher Education to fund several specific state needs, such as graduate education, specialized education services, and professional degrees.²²⁴ Performance contracts are negotiated and established for accountability purposes.²²⁵ With guaranteed funding, the state has created incentives for universities to keep operating costs and sticker prices low, in order to attract a larger pool of applicants.²²⁶

Recommendation:

The Subcommittee recommends the Blue Ribbon Task Force investigate innovative strategies of funding for higher education. This should include a review of other successful funding mechanisms for higher education being employed by other states, including Tennessee, Pennsylvania, Texas and Colorado.

²¹⁸ Florida Legislature, "HB 5001," 2012, <http://flsenate.gov/Session/Bill/2012/5001/BillText/er/PDF> (Last visited 5/3/2012). *See also* Chapter 2012-118, L.O.F.

²¹⁹ Western Interstate Commission for Higher Education, "An Evaluation of Colorado's College Opportunity Fund and related Policies," 2008, p. i, <http://www.wiche.edu/info/publications/policyCOF.pdf> (last visited 5/22/12).

²²⁰ University of Colorado, "College Opportunity Fund (COF) Project," <https://www.cu.edu/ums/cof/faq.html> (last visited 5/22/12).

²²¹ *Id.*

²²² Sivasailam, Abhi, "Changes to College Funding System Could Increase Efficiency, Transparency," December 7, 2009, <http://showmeinstitute.org/publications/commentary/education/181-changes-to-college-funding-system-could-increase-efficiency-transparency.html> (last visited 5/22/12).

²²³ *Id.*

²²⁴ Western Interstate Commission for Higher Education, "An Evaluation of Colorado's College Opportunity Fund and related Policies," 2008, p. 4, <http://www.wiche.edu/info/publications/policyCOF.pdf> (last visited 5/22/12).

²²⁵ *Id.*

²²⁶ Sivasailam, Abhi, "Changes to College Funding System Could Increase Efficiency, Transparency," December 7, 2009, <http://showmeinstitute.org/publications/commentary/education/181-changes-to-college-funding-system-could-increase-efficiency-transparency.html> (last visited 5/22/12).

Transparency in Higher Education Funding

Transparency in government is not a new issue, nor is transparency in higher education funding. Several states have recognized the worthiness of making higher education funding more transparent. Effective May 2009, Utah State agencies, including higher education institutions, were required to provide financial data (including transactional data) to the Utah State Division of Finance website for transparency.²²⁷ Similarly, the Virginia's State Legislature added language to its 2011 appropriations bill to require the Governor's Commission on Higher Education Reform, Innovation, and Investment review a proposal to no longer permit the transfer of general fund appropriations to non-general funds for institutions of higher education.²²⁸ Implementation of this proposal would improve transparency in the accounting system for higher education by separately accounting for expenditures in educational and general (E&G) funds that are paid with tax dollars (general funds) and non-general funds (tuition).²²⁹

Recommendation:

The Subcommittee recommends the Blue Ribbon Task Force find ways to increase transparency in state funding of higher education. The BRTF should review how other states, like Utah and Virginia, are increasing transparency in their higher education funding and analyze the potential use for Florida. Increasing transparency will enable the higher education system align with Florida's other state transparency initiatives.

Market Rate Tuition (HB 7129 – State University of Academic and Research Excellence and National Preeminence)

Passed by the Legislature during the 2012 Regular Session, HB 7129 would have exempted state research universities of national preeminence, defined as those meeting 11 of 14 specified criteria, from statutory limits on the amount of tuition and fees that could be charged to undergraduate students and would have authorized the universities to establish undergraduate and graduate tuition at differentiated and market rates. During 2011-12, the tuition and fee average for Florida's public universities was \$5,626 per year, making Florida 45th in the nation for average tuition cost.²³⁰ The national average for the same period of time was \$8,244.²³¹ At this time only the University of Florida and Florida State University meet 11 of the 14 preeminence measures.²³²

Veto

On April 27, 2012, the Governor vetoed HB 7129 citing concerns about the increased debt burden on students and a lack of evidence that the increased tuition would provide additional return on investment for students.²³³ The Governor stated that in order to move the SUS toward excellence for the good of Florida, the university system will need to develop a statewide plan and distinctive mission tied to degree production, geographic location, and excellence for each university, and conduct an operational review of each university to identify potential cost savings and efficiencies.

²²⁷ On the TransparentUtah.gov website, universities list revenues, distinguishing between state and non-state funds and describing the source of the revenue. Expenses are categorized by the use of the funds including salaries and wages, and employer paid benefits. University of Utah, "Learning about the Transparency Initiative," <http://fbs.admin.utah.edu/transparency/what/> (last visited 5/22/12).

²²⁸ Virginia House Bill 1500, Chapter 874, Item 248.E, <http://lis.virginia.gov/111/bud/hb1500.pdf> (last visited 5/22/12).

²²⁹ Virginia's Governor's Commission on Higher Education Reform, Innovation, and Investment, "Increasing Transparency in Higher Education Accounting" December 16, 2011, p. 4, <http://www.education.virginia.gov/initiatives/HigherEducation/meetingPresentations/121611/IncreasingTransparency.pdf> (last visited 5/22/12).

²³⁰ State University System of Florida, Board of Governors, "New National Rankings released for States' Tuition and Fees," October 26, 2011, <http://flbog.edu/pressroom/news.php?id=418> (last visited 5/3/2012).

²³¹ *Id.*

²³² See Preeminence Measures by University (chart on file with Government Efficiency Task Force staff).

²³³ See Governor's veto letter of HB 7129, April 27, 2012 (copy on file with Government Efficiency Task Force staff).

Recommendation:

The Subcommittee recommends the Blue Ribbon Task Force study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation. The study should include whether sufficient evidence exists for increasing tuition at certain universities above the current 15 percent cap. The study should analyze the possible effect on the return on investment for students and the SUS as a whole. If the BRTF recommends market rate tuition, it should identify a plan to ensure flat rate tuition for First-Time-In-College (FTIC) students for their first four years and upper level transfer students for two years.



Government Efficiency Task Force

Higher Education Recommendations

Subcommittee on Education

Chair: Belinda Keiser

Senator Lizbeth Benacquisto

Ann Duncan

Michael Heekin

Eric Silagy

June 6th, 2012



Government Efficiency Task Force

Subcommittee on Education

In support of the charge of the Government Efficiency Task Force, the Subcommittee Committee on Education agreed to provide thoughtful and substantive recommendations regarding meaningful educational cost savings to Florida taxpayers while maintaining the quality of existing educational services and advancing opportunity through innovative approaches in higher education.

My sincerest thanks to the subcommittee members, the GET staff and substantive experts for their tireless commitment, knowledge and support.



Summary: GET Education Subcommittee Recommendations

- 1) *Implement a pilot project for year-round school operations in the State University System (SUS)***
- 2) *The Board of Governors (BOG) should create a “University Review Program”***
- 3) *The Blue Ribbon Task Force (BRTF) should develop strategies for Degree Production***
 - Aligned with the high degree of interest among Florida’s policy makers, the BRTF should review methods that increase the production of science, technology, engineering, and mathematics (STEM) degrees in the SUS.
 - The BRTF should consider the actions of HB 7135 and the creation of a statewide STEM strategic plan.
- 4) *The Blue Ribbon Task Force should review and develop a comprehensive assessment tool to evaluate Optimum Facility Utilization***
 - Including classroom utilization to more accurately determine the need for Public Capital Outlay program (PECO) funds.
- 5) *The Blue Ribbon Task Force should investigate innovative strategies of Funding for Higher Education***
 - Including increasing transparency in state funding of higher education.
 - The BRTF should study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.



Background: Florida's State University System

- State universities have:
 - 324,000 students enrolled
 - Nearly 1,800 degree programs
 - Over 73,000 degrees awarded annually
- 11 universities (12th Florida Polytechnic added this year)



Background: Blue Ribbon Task Force on State Higher Education Reform (BRTF)

- Created by Governor Scott's Executive Order
- Responsibilities include:
 - Catalog and consolidate the recommendations from the various efforts addressing Florida's higher education system with respect to the SUS
 - Assess strengths and weaknesses of SUS governance model
 - Analyze the ability of state universities to contribute to the SUS 2012-2025 strategic plan
 - Recommend strategies to encourage cooperation between institutions, leading to reduced duplication and improved efficiencies
 - Recommend amendments to statutes and BOG regulations to improve accountability and transparency
 - Conduct a review and analysis of efforts to achieve national preeminence and academic and research excellence by Florida universities



Recommendation One: Year-Round School Operations

1) Implement a pilot project for year-round school operations in the State University System (SUS)

- The pilot will serve as a model for other institutions.
- Carefully consider the success of existing year-round operation models.



Year-Round Operations

- Year-round operations require universities to provide regular academic programs over the entire year, including providing summer courses and services in quantity and quality comparable to every other term of the year.



Year-Round Operations

- Benefits
 - Students can accelerate their graduation timeline or vary the season of annual breaks.
 - Students requiring remedial courses can take smaller course loads.
 - Businesses and communities around the institution avoid summer sales drop-off
 - Universities maximize the number of students served and minimize duplication of departmental overhead expenses.
 - *A recent OPPAGA report found that overall, university classrooms were in use approximately half of the time they were available during the week, and state and community college classroom utilization was less than 50%.*
 - Upkeep for buildings on campus is being paid for by the students using the facilities.



Year-Round Operations

- California
 - A 1999 state report found that year-round operations could serve 1/3 more students in existing facilities, saving billions.
 - A University of California Feasibility Study found that year-round instruction addresses critical needs such as:
 - Impacts on local communities by shifting some students away from the traditional Fall-Winter-Spring attendance patterns;
 - Similarly, year-round instruction decreases some of the impacts of large and rapid enrollment growth on the campuses including crowding;
 - Year-round instruction makes better use of existing classroom and class laboratory facilities, avoiding capital costs of \$200 to \$240 million and associated maintenance costs of construction.
 - Year-round operations were implemented in 2001. By 2006, summer enrollment for all UC campuses increased by 103% combined.



Year-Round Operations

- **Purdue University**—Began shift towards year-round, trimester based calendar in January of 2012
 - \$40 million dollars in additional university revenue is estimated while making better use of classrooms, residence halls and other campus facilities during summer months
- **BYU-Idaho**--Offers a Three-Track (Three-Semester) System
 - BYU-Idaho grew from 14,892 students in 1998 to 22,997 in 2009
 - Faculty jobs increased to accommodate the increase in students; however, the square footage cost per student decreased from \$153 to \$126



Year-Round Operations

University of Florida's Innovation Academy

- Innovative program to interest NEW (*NOT EXISTING*) students, however, it is not a Year-Round school model similar to those implemented in other states.
 - Year-Round models in other states provided comparable course offerings year-round to increase access, expedite completion, increased degree/graduate production and taxpayer (*and student*) cost savings
- **ADDRESSING ACCESS**
 - University of Florida's Innovation Academy was designed for 500-800 new students during the Spring/Summer term
 - Capacity of 2,000 students is projected, a fractional increase in access
 - Consequently, the advantages of maximizing access to increase the number of degree-seeking students served and increasing potential graduate production are not realized
 - Conversely Dartmouth College and Brigham Young University-Idaho, both implementing Year-Round school, have doubled and tripled enrollment respectively.



Year-Round Operations

University of Florida's Innovation Academy (continued)

- **MAXIMIZATION OF CLASSROOM / FACILITY UTILIZATION; MINIMIZATION OF COSTS & EXPENSES**
 - The UF model actually added new building space comprising 40 acres with substantial future building plans.
 - The BYU-Idaho Year-Round model decreased its square footage per student cost (\$153 to \$126).
- **DECREASED TIME TO COMPLETION / EXPEDIENCY TO GRADUATE & DEGREE PRODUCTION**
 - Thirty very specific programs are available for newly enrolled Spring/Summer Innovation Academy students yet those offerings are unavailable to existing students.
 - Innovation Academy students are NOT eligible for on-campus enrollment during the Fall semester
 - Results may be potential delays in time to completion and pursuit/attainment of post-graduate employment.



Recommendation Two: University Review Program

- The Board of Governors should create a “University Review Program.”
 - The program should be similar to the Best Financial Management Practices review program or Sharpening the Pencil Act for the K-12 system.
 - The Board of Governors (BOG) should compile a comprehensive list of best practices.
 - The program should focus more on cost savings and efficiencies than the Auditor General Operational Audits do.



System Efficiency

- School District Reviews
 - Best Financial Management Practices Reviews
 - Sharpening the Pencil Act
 - Passed by the Legislature in 2001 to assist school districts in identifying and realizing cost savings through:
 - Improved use of resources
 - Improved district performance accountability systems
 - More efficient delivery of educational services, facilities construction and maintenance and cost control systems
- University Audits
 - The Auditor General is required to conduct financial and operational audits of all state universities and colleges.



Recommendation Three: Work with BRTF to Develop Strategies to Increase Degree Production

- Blue Ribbon Task Force should develop strategies to increase degree production.
 - May include:
 - Incentives for timely and expedited completion of bachelor's degree
 - Creating more three-year degree programs
 - Developing a statewide adult completer program
 - Developing student retention programs
 - Implementing Year Round operations



Degree Production

- The issue
 - Adults between 25 and 34 with a college degree, working year-round, earn 40% more than similar age adults with some college.
 - Only 26.6% adults (between ages 25 and 64) have a bachelor's or higher degree.
 - In 20 years, Florida will need 4.5 million adults with bachelor's degrees to reach the education level of the 10 most productive states.
 - Over a 5-year period, first-year drop outs cost Florida almost \$275 million in state expenditures and another \$18,400,000 was lost in federal student grants
 - The state realizes little to no return on its investment when student's drop out in the first year



Degree Production

- Three-year Degree Programs Recognized Nationally
 - Eliminating an extra year of school can save students 25 percent in non-tuition costs
 - Ohio Governor John Kasich has ordered Ohio state universities “to investigate ways for students to get a bachelor’s degree in three years.”
 - Rhode Island – Bachelor’s Degree in Three Program Act
 - Enables students in Rhode Island to apply advanced placement (AP), dual enrollment and other credit-bearing courses taken in high school to their college program.
 - University of North Carolina Greensboro – “UNCG in 3”
 - This program is open to students in 17 departments and requires that students enter the program with 12 hours of college credit gained in high school.



Degree Production

- Adult Completer Programs
 - Texas's GradTX
 - Texas has the GradTX program, which is a statewide initiative targeting adult learners who have earned at least 90 semester credit hours of college work, but never completed their program.
 - Oklahoma's Reach Higher program
 - Designed for working adults who have earned some college credit in limited degree fields through 8-week classes and online scheduling.
 - Project Win-Win
 - Funded primarily by the Lumina Foundation, the program identifies individuals who are "academically short" with no more than 9 to 12 credits needed for degree completion
 - Piloted at Broward College, Indian River State College and St. Johns River State College



Degree Production

- Incentives
 - States offer tuition incentives in the form of credits or discounts for meeting certain goals.
 - Florida charges students for excess credits.
 - A 2006 OPPAGA study found that excess credit hours cost the state \$62 million in Fiscal Year 2004-05.
 - Texas offers \$1,000 in tuition rebate for students who complete a bachelor's degree efficiently, taking as few courses outside their degree plan as possible.



Degree Production / STEM Production

- There is a high degree of interest among Florida's policy makers to increase the production of STEM degrees in the state.
- The BRTF should review methods to increase production of STEM-degree graduates in the SUS, and in doing so consider the actions of HB 7135 and the creation of a statewide STEM strategic plan.
- The BRTF should:
 - Look at the Florida Center for Research-STEM strategic plan, and other state's statewide STEM planning.
 - Ensure the plan identifies fields that are most important to Florida's economy.
 - Establish metrics and measurement to provide the economic impact of particular degrees at each SUS institution.
 - Take into account, coordinate, and streamline all STEM initiatives taking place throughout the K-20 system.



Degree Production / STEM Production

- Science, Technology, Engineering and Mathematics (STEM) Degrees are a major factor in Florida's economic growth.
- In 5 years, Florida will need to produce at least 100,000 more science and technology professionals than currently on track to produce.
- By 2018, Florida will demand a total of 385,010 STEM jobs.



STEM Degrees

- The Florida Center for Research in Science, Technology, Engineering and Mathematics (FCR-STEM) was created to help Florida improve teaching and learning in K-12 science, technology, engineering and math and prepare students for higher education and STEM careers.



STEM Degrees

- Florida's STEM activities are not well connected, aligned, or working cooperatively to achieve the common goal of improving student achievement in STEM areas.
- FRC-STEM, the Florida Chamber of Commerce, the Consortium of Florida's Education Foundation, and others partnered in the *STEMflorida* initiative.
 - STEM Strategic Plan - a cohesive state plan to engage the educational and workforce entities essential to create a sustained and high skilled workforce, and a more viable state economy.



STEM Degrees

- HB 7135
 - Passed by the Legislature in 2012
 - Requires the SBE, in consultation with the BOG and Department of Economic Opportunity, to adopt a unified plan to improve K-20 STEM education and prepare students for high-skill, high-wage, and high-demand employment in STEM and STEM-related fields.



Recommendation Four:

Maximization of Facility Utilization

- The BRTF should review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for PECO funds.
 - The BOG should make recommendations regarding maximization of facility usage and optimum facility utilization.
 - Recommendations should focus on ways to improve utilization data and whether steps are necessary to address underutilization.



Facility Utilization

- The Public Education Capital Outlay Program (PECO) is the SUS's primary source for facility funding.
- Uses a portion of the Gross Receipts Tax (GRT) on utilities.
- PECO bonds count for 40% of the state's debt.
- In Jan. 2012, the Revenue Estimating Conference reduced PECO funding to \$0 for the next two years.



Facility Utilization

- It is important for institutions to utilize existing facilities as efficiently as possible to delay the need for new classrooms.
- Florida Law requires classrooms to be utilized 40 hrs/week and 60% of student stations occupied.
- OPPAGA studies have found that state universities underutilize classroom space.
 - OPPAGA suggests that the BOG has not acted on the recommendations to update the classroom utilization.
 - This subcommittee looks forward to the BOG's report due November 2012 regarding ways to address the "facilities funding crisis" and encourages a thorough review to maximize usage.



Recommendation Five: Addresses University Funding

- The BRTF should find ways to increase transparency in state funding of higher education.
 - The BRTF should review how other states, like Utah and Virginia, are increasing transparency in their higher education funding and analyze the potential use in Florida.
 - This will help keep the higher education system aligned with Florida's other state transparency initiatives.
- The BRTF should investigate innovative strategies of funding for higher education
 - This should include a review of other successful higher education funding mechanisms being employed in other states.
- The BRTF should study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.
 - If market rate tuition is recommended, the BRTF should identify a plan to ensure flat-rate tuition for First-Time-In-College students during their first four years and upper level transfer students for two years.



University Funding

- State universities receive funding from:
 - State appropriations
 - Student tuition and fees
 - Private sources
 - Federal programs
- The FY 2012-13 allocation for Florida's SUS was over \$3.5 billion.



University Funding

Performance-based Funding

- Performance-based funding is a finance strategy that links state funding for public colleges and universities with institutional performance.
- Advantages
 - Leads to greater awareness of performance on campus
 - Delineates state and institutional priorities
 - Enhances transparency and accountability
 - Increases productivity



University Funding *Performance-based Funding*

- **Tennessee**
 - Higher ed funding model is an output-based approach that will eventually tie 100% of state funding to metrics such as student progression, degree production, student transfer and research at universities and at community colleges, certificate and associate awards, student transfer and job placement.
- **Pennsylvania**
 - Appropriates 2.4% of total higher education funding to a performance funding pool focused on gains in: student retention and graduation rates, campus diversity, program quality, faculty productivity and a decrease in the average number of excess credits at graduation.
 - Emphasizing results instead of inputs, the new system is based on core values of student success, access, and institutional stewardship of resources.
- **Texas**
 - The “Higher Education Outcomes-Base Funding Act” requires the Texas Higher Education Board to propose 10% of total appropriations funding to reward institutions for achieving outcomes related to graduation rates.



University Funding

Performance-based Funding

- Florida College System (FCS) Performance-based Funding Initiatives
 - FCS implemented performance-based funding with a formula that recognized performance in several areas.
- SUS Performance-based Funding Initiatives
 - In FY 2012-13, allocated \$15 million for performance funding for state universities.
 - HB 7135 outlines the formula the BOG must use to rank each state university applying for performance funding.



University Funding

Colorado's Voucher System

- Funding is provided directly to the student through the “College Opportunity Fund” (COF).
- Students apply for and authorize use of voucher to be applied to university bill.
- Colorado no longer appropriates money to institutions for undergrad education, but provides direct funding to instate undergraduate students.
- Students apply for and authorize the use of the voucher which is applied to the student’s university bill.
- State directs university expenses through:
 - Fee-for-service contracts – fund several specific state needs (graduate education, specialized educational services, professional degrees)
 - Performance contracts – negotiated and established for accountability purposes



University Funding

Transparency in funding

- Utah state agencies, including higher education institutions, are required to provide financial data (including transactional data) to the Utah State Division of Finance website for transparency.
- In Virginia, language in the 2011 appropriations bill requires review of a proposal to implement transparency in the higher education accounting system.



University Funding *Market Rate Tuition*

- HB 7129 would have authorized state research universities of national preeminence to establish undergraduate and graduate tuition at differentiated and market rates.
- Universities of national preeminence are defined as those meeting 11 of 14 specified criteria.
- Governor Scott vetoed the bill.



Government Efficiency Task Force

Thank You

Governor Rick Scott

Subcommittee on Education Members

- ***Senator Lizbeth Benacquisto***
- ***Ann Duncan***
- ***Michael Heekin***
- ***Eric Silagy***

Members of the Government Efficiency Task Force

- ***Including our Chair, Abraham Uccello***

The Office of Policy and Budget Staff

- ***Jeff Woodburn***
- ***Ashley Spicola***
- ***Nicole Washington***
- ***All the members of their team***

Elisa Weber from the FL Senate

The Board of Governors

Our Education Subject Matter Expert

- ***Kim McDougal from the Governor's Office***

Members of the Public for your Contributions



Florida Government Efficiency Task Force

Subcommittee on Education

Recommendation Analysis

Subject Matter: University Procurement

Subcommittee Members: Belinda Keiser (Chair), Senator Lizbeth Benacquisto, Ann Duncan, Michael Heekin, and Eric Silagy

RECOMMENDATION SUMMARY

On May 29, 2012, the Subcommittee on Education voted to approve the following recommendations regarding university procurement:

- **State University Procurement:**
 - The State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.
- **Collaboration with the Department of Management Services:**
 - The Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.
 - The Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.
 - State universities utilize state term contracts to achieve savings.
- **Florida Polytechnic:**
 - The Board of Governors leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. STATE UNIVERSITY SYSTEM

Governance

The governing body for the State University System (SUS) is the Board of Governors (BOG).¹ The BOG is made up of 17 members, including the Commissioner of Education, the chair of the Advisory Council of Faculty Senates, the Florida Student Association president, and 14 citizen-appointments made by the Governor and confirmed by the Florida Senate.² The BOG is the constitutionally created body required to “operate, regulate, control, and be fully responsible for the management of the whole university system.”³

Locally, each institution is governed by a Board of Trustees⁴ comprised of 13 members (the chair of the faculty senate, the president of the institution’s student body, six members appointed by the Governor and confirmed by the Florida Senate, and five members appointed by the BOG and confirmed by the Florida Senate).⁵ The local Boards of Trustees are responsible for governing their institutions in accordance with BOG rules and regulations.⁶

Each university is charged with managing its own procurement and purchasing services. Pursuant to BOG regulations, “each university Board of Trustees shall adopt regulations establishing basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services”.⁷

B. UNIVERSITY PROCUREMENT

Inter-institutional Committee on Purchasing

The Inter-institutional Committee on Purchasing (ICOP) is an association comprised of SUS institutions’ purchasing directors. ICOP goals include increasing coordination of purchasing operations, reducing operating costs, increasing efficiencies, and leveraging quantities of scale to maximize volume discount opportunities for the purchase of shared goods and services. ICOP develops policies and guidelines for establishing system-wide contracts and cooperative agreements for use by universities. The ICOP listserv is utilized to share information on advantageous contract pricing through other purchasing groups and consortia.

Procurement Regulation

SUS institutions must adhere to the following regulations when purchasing goods and services:

- Chapter 18 of the Board of Governors Regulations provides regulations for purchasing, including competitive solicitation, notice and protest procedures, and solicitation bonding requirements.⁸ University Boards of Trustees are permitted to establish a competitive solicitation threshold up to \$75,000.⁹
- Due to federal procurement requirements, BOG procurement regulations continue to be aligned with the procurement provisions in Chapter 287, F.S.¹⁰
- Universities are subject to annual operational audits by federal, state, and internal auditors.

¹ Article XI, s. 7(d), Fla. Const.

² Art. IX, s. 7(d), Fla. Const.; s. 1001.71(2) and (3), F.S.

³ Art. IX, s. 7(d), Fla. Const.

⁴ Art. IX, s. 7(c), Fla. Const.; s. 1001.71(1), F.S.

⁵ Section 1001.71(1), F.S.

⁶ Art. IX, s. 7(c), Fla. Const.; *see also* Florida Board of Governors Regulation 1.001 (Feb. 16, 2012).

⁷ Florida Board of Governors Regulation 18.001(1).

⁸ Florida Board of Governors Regulation Chapter 18.

⁹ Florida Board of Governors Regulation 18.001(2).

¹⁰ Chapter 287, F.S.

- Universities are required to complete federally-mandated education and training in procurement best practices.

The Florida State University and University of Florida Strategic Sourcing and E-Procurement Initiative

Although the use of strategic sourcing best practices is common throughout the SUS, the Florida State University (FSU) and the University of Florida (UF) have developed a fully integrated electronic procurement system, including an on-line catalog of purchasing options. The system contract was awarded to SciQuest, the premier provider of e-procurement software for research universities and institutions.

UF and FSU focused on six commodity areas for strategic sourcing throughout the university procurement process: IT hardware, courier, office products, scientific supplies, copiers, and maintenance, repairs, and operations. SUS institutions purchase from a contract between the Florida Distance Learning Consortium and Blackboard. Pricing is negotiated based on aggregate spend. The BOG leveraged aggregate spend and utilized the e-procurement system to purchase a system-wide contract with Microsoft.

FSU and UF collaboratively issued joint, strategically sourced invitations to negotiate (ITN) to establish e-procurement contracts for information technology equipment and scientific and medical supplies. The ITNs resulted in three joint IT contracts and ten lab supply contracts and agreements.

Recommendation:

The Subcommittee recommends the State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida. FSU and UF utilize an electronic platform for procurement. Implementation of the system resulted in improved control and tracking of procurement spend,¹¹ decreased ordering time for universities and vendors, and a reduction in paperwork. Utilization of technology, along with changes in procurement law, has allowed FSU to reduce its procurement work force by eleven positions.¹² Implementation of similar procurement platforms would allow the other nine universities of the SUS to realize similar benefits and savings.¹³ Consideration should be given to leveraging of such a system across multiple institutions.

Other Buying Groups and Consortia

Each SUS institution is a member of the National Association of Educational Procurement (NAEP). NAEP members are eligible to use dozens of competitively-bid and strategically-sourced contracts established by Educational & Institutional Cooperative Service, Inc. (E&I). E&I is a not-for-profit buying cooperative established by members of NAEP to provide goods and services to members at the best possible value.¹⁴

SUS institutions are also eligible to use competitively-bid consortium contracts established by other government groups, such as the Western States Contracting Alliance, and buying groups, such as the U.S. Communities and Horizon Resource Group.

Regional Procurement

By working with larger institutions, smaller state universities with specialized needs have achieved procurement savings at the regional level. For example, the University of North Florida (UNF) implemented the

¹¹ The improved control and tracking of spend allows for the ability to utilize strategic sourcing, which may lead to cost savings in the procurement of services and commodities.

¹² The elimination of positions occurred over a 20 year period of changing procurement law and substantial adoption of technology to increase efficiency. FSU staff has estimated that it has saved over \$1.3 million in staff reduction and \$900,000 in cost avoidance over the last 9 years (copy on file with Government Efficiency Task Force staff). Other factors include increased efficiency of current staff use, less ordering time, better tracking of spend, and more predictable ordering.

¹³ A recent proposal to implement a system similar to that of FSU and UF among the other nine SUS institutions was estimated to cost between \$1.4 to \$1.7 million annually, with an additional one-time implementation cost of \$2 million. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

¹⁴ See <https://www.eandi.org/> (last visited 05/29/12).

SunGuard Banner ERP system in FY 2003-2004 as a result of a SUS ITN initiative chaired by UF, FSU, UNF, the University of Central Florida (UCF), and Florida Atlantic University (FAU). UNF has achieved significant savings through its solicitation process. UNF's procurement savings was \$570,628 in 2010, \$352,059 in 2011, and \$361,293 through the third quarter of 2012. UNF's purchasing department has generated revenue over the past five years, including two signing bonuses for office supply contracts utilizing strategic sourcing with other universities and rebates from E&I contracts.

C. University Collaboration with State Purchasing

The Department of Management Services (DMS) has organized a group of representatives from local governments, state colleges, and state universities (referred to as other eligible users or OEUs) called Florida Professionals for Public Procurement. The group meets monthly and has representation from the University of Florida, the University of North Florida, Polk State College, Florida Atlantic University, and Florida Gulf Coast University.

The group has several long term objectives including:

- Maximizing best in class procurement processes;
- Bringing the best value to the state and OEUs through strategic sourcing, standard contracts, and standard processes;
- Managing administrative costs through supply chain management and a shared services delivery model;
- Working with the Division of State Purchasing (the division) to create a flexible technology platform;¹⁵ and
- Maximizing spend visibility.

In addition, the division also communicates with universities through the Florida Association of Public Procurement Officials (FAPPO).¹⁶

SUS institutions also utilize DMS's Vendor Bid System to post solicitations in order to increase competition and are substantial users of DMS state term contracts.¹⁷

Recommendations:

The Subcommittee recommends that the Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.

Representatives from DMS and several SUS institutions (UF, University of North Florida (UNF), Florida Atlantic University (FAU) and Florida Gulf Coast University (FGCU)) meet monthly to coordinate and improve procurement. This cooperative effort should continue and be expanded by the addition of other SUS institutions. The BOG should also consider having one person or current SUS institution procurement officer be the point person for DMS to contact regarding procurement issues and strategic procurement.

The Subcommittee recommends that the Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties. DMS should work with SUS institutions to identify those common goods and services in order to strategically procure them to the benefit of both the state and the SUS.

¹⁵ This would include the following recommendations made by the Subcommittee on General Government: provide a public facing catalog solution for OEUs to purchase state term contract items; convert Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes; and increase utilization of MyFloridaMarketPlace (MFMP). See the May 2, 2012, meeting packet for the full procurement recommendations, available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 5/29/12).

¹⁶ See <http://www.fappo.org/> (last visited 5/29/12).

¹⁷ Examples of use of state contracts include furniture, IT, gasoline, carpet, rental cars, lab supplies, office supplies, audio visual, bank services, and telecommunication. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

The Subcommittee recommends that state universities utilize state term contracts to achieve savings. Utilization of state term contracts allows the state and OEUs to achieve savings, track spending, and leverage volume to strategically procure commonly-utilized goods and services. Increasing OEU utilization of state term contracts will provide additional leverage for DMS in negotiating better pricing. DMS and the SUS institutions should also evaluate university contracts to determine if university pricing is more competitive than current state contracts.¹⁸

D. FLORIDA POLYTECHNIC UNIVERSITY

Passed during the 2012 Regular Session, Senate Bill 1994¹⁹ provided for the creation Florida Polytechnic University as a new, independent institution in the state university system,²⁰ effective upon becoming law. Florida Polytechnic is required to meet the following BOG requirements by December 31, 2016:

- Achieve regional accreditation from the Commission on Colleges of the Southern Association of Colleges and Schools (SACS);
- Initiate development of new STEM programs;
- Seek discipline-specific accreditation for programs;
- Attain a minimum full-time equivalent student enrollment (FTE) of 1,244, with a minimum 50 percent of that FTE in STEM fields and 20 percent in STEM-related fields;
- Complete, at minimum, construction of the Science and Technology Building, Phase I of the Wellness Center, and a residence hall or halls with at least 190 beds;
- Have the ability to provide administration of financial aid, admissions, student support, information technology, and finance and accounting with an internal audit function.

USF Lakeland (formerly USF Polytechnic) has about 1,300 students: 60% of them are part-time, approximately 70% are from Polk County, and 98% are FL residents. Currently, there are only upper-division students, but the first class of freshman is expected to start in fall 2012. There are also approximately 196 faculty and staff, with an additional 18 employed by the Florida Industrial and Phosphate Research (FIPR) Institute. USF Lakeland occupies half of a joint-use building in Lakeland, shared with Polk State College. Construction on Phase 1 of the Science and Technology Building has begun, but Florida Polytechnic will share the joint-use facility until construction is completed. Currently, there are no students associated with Florida Polytechnic University; the University will require an appointed Board of Trustees, who will then hire a president before they can begin enrolling new students.²¹

Recommendation:

The Board of Governors should leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions. With the addition of Florida Polytechnic as the 12th university in the SUS, there is an opportunity to create shared service models and find efficiencies that can be applied system wide. Initial focus should be on shared services for smaller institutions that have comparable needs.

¹⁸ DMS should also take into consideration other incentives that SUS institutions utilize such as rebates. For example, ICOP reports that when rebates and incentives are taken into consideration, the FSU contract pricing for office supplies is lower than the current state term contract. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

¹⁹ See Senate Bill 1994, Chapter 2012-129, L.O.F.

²⁰ Section 1000.21, F.S.

²¹ First entering class estimated Fall 2013.



University Procurement

Subcommittee on Education

Chair: Belinda Keiser

Senator Lizbeth Benacquisto

Ann Duncan

Michael Heekin

Eric Silagy

June 6th, 2012



Subcommittee on Education

In support of the charge of the Government Efficiency Task Force, the Subcommittee Committee on Education agreed to provide thoughtful and substantive recommendations that would address:

- 1) Spending as it relates to University Procurement*
- 2) Encourage further collaboration with the Board of Governors, state universities and the Department of Management Services and the use of State Term Contracts*
- 3) Opportunities to leverage and expand shared resources with the creation of Florida Polytechnic*

My sincerest thanks to the subcommittee members, the GET staff and substantive experts for their tireless commitment, knowledge and support.



Summary: GET Education Subcommittee Recommendations

1) *State University Procurement:*

- The State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.

2) *Collaboration with the Department of Management Services:*

- The Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.
- The Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.
- State universities utilize state term contracts to achieve savings.

3) *Florida Polytechnic:*

- The Board of Governors leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.



State University System

- The governing body for the State University System (SUS) is the Board of Governors (BOG).
- There are currently 11 SUS institutions.
- Locally, each institution is governed by a Board of Trustees comprised of 13 members.
- Each university is charged with managing its own procurement and purchasing services.



Recommendation One

- **The Subcommittee recommends the State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.**



University Procurement

- Universities procure approximately \$2.2 billion per year in goods and services.
- Each university has its own “regulations establishing basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services.”
- SUS institutions must adhere to various regulations when purchasing goods and services.



FSU/UF Procurement Technology

- FSU and UF utilize an electronic platform for procurement.
- Implementation resulted in improved control and tracking of procurement spend, decreased ordering time for universities and vendors, and a reduction in paperwork.
- The improved control and tracking of spend allows for the ability to utilize strategic sourcing, which may lead to cost savings in the procurement of services and commodities.



FSU/UF Procurement Technology

- Utilization of technology, along with changes in procurement law, has allowed FSU to reduce its procurement work force by eleven positions over the past 20 years.
- FSU estimated a savings of approximately \$1.3 million in staff reduction and \$900,000 in cost avoidance (staff realignment, improved technology) over the last 9 years.
- Ultimately achieving a cost savings of \$2.2 million and improving efficiency.



Recommendation(s) Two

- The Subcommittee recommends that the Board of Governors, state universities, and the Department of Management Services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.
- The Subcommittee recommends that the Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.
- The Subcommittee recommends that state universities utilize state term contracts to achieve savings.



University Collaboration

- Universities collaborate on procurement issues in a number of ways including:
 - Inter-institutional Committee on Purchasing (ICOP)
 - Other Buying Groups and Consortia



University Collaboration with DMS

- Florida Professionals for Public Procurement
 - Organized by the Department of Management Services to increase ongoing communication between the State of Florida, local governments, the SUS and state colleges
- The University of Florida, the University of North Florida, Polk State College, Florida Atlantic University, and Florida Gulf Coast University
- Florida Association of Public Procurement Officials (FAPPO)
- SUS institutions also utilize DMS's Vendor Bid System and are substantial users of DMS state term contracts.



Florida Professionals for Public Procurement

- Several objectives:
 - Maximizing best in class procurement processes
 - Bringing the best value to the state and OEUs through strategic sourcing, standard contracts, and standard processes
 - Managing administrative costs through supply chain management and a shared services delivery model
 - Working with State Purchasing to create a flexible technology platform
 - Maximizing spend visibility



Recommendation Three

- **The Board of Governors should leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.**



Florida Polytechnic

- With the addition of Florida Polytechnic as the 12th university in the SUS, there is an opportunity to create shared service models and find efficiencies that can be applied system wide.
- Initial focus should be on shared services for smaller institutions that have comparable needs.



Government Efficiency Task Force

Thank You

Governor Rick Scott

Subcommittee on Education Members

- ***Senator Lizbeth Benacquisto***
- ***Ann Duncan***
- ***Michael Heekin***
- ***Eric Silagy***

Members of the Government Efficiency Task Force

- ***Including our Chair, Abraham Uccello***
- ***The Subcommittee on General Government***

The Office of Policy and Budget Staff

- ***Jeff Woodburn***
- ***Ashley Spicola***
- ***All the members of their team***

Elisa Weber from the FL Senate

The Board of Governors

Our Procurement Subject Matter Experts

- ***Kelly Loll, Director of State Purchasing***
- ***Marcie Doolittle from Florida State University***

Members of the Public for your Contributions



Florida Government Efficiency Task Force

Subcommittee on General Government

Recommendation Analysis

Subject Matter: State Procurement

Subcommittee Members: Pat Neal (Chair), Senator Mike Bennett, Ann Duncan, Frances Rice, and Larry Cretul

RECOMMENDATION SUMMARY

On April 11, 2011, the Subcommittee on General Government voted to approve the following recommendations regarding state procurement:

- **Increased utilization of state term contracts:**
 - Review all statutory barriers and remove those unnecessary for full utilization of state term contracts.
 - Create a process that gives the Department of Management Services (DMS) an approval role for non-state term contract purchases by agencies.
- **Increased utilization of MyFloridaMarketPlace:**
 - Review the 1% usage fee for MyFloridaMarketPlace (MFMP) and adjust to allow for the greatest utilization by state agencies and other eligible users.
 - Measure full cycle utilization of MFMP through DMS.
 - Provide a public facing catalog solution for other eligible users of MFMP.
 - Convert Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes.
- **Increased effectiveness of MyFloridaMarketPlace:**
 - Implement a data analytics solution for MFMP.
 - Automate electronic posting of solicitations created in Sourcing to the Vendor Bid System (VBS).
 - Automate the workflow between the Ariba Buyer and Ariba Sourcing modules of MFMP.
 - Provide a public portal for contract information.
- **Strategic sourcing:**
 - Utilize the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services.
 - Create an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing.
- **Consultants' Competitive Negotiation Act (CCNA):**
 - Allow agencies to utilize the "Best Value" process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. STATE PROCUREMENT

Department of Management Services

The Department of Management Services (DMS) provides administrative and support services to other state agencies and to state employees. DMS's areas of responsibility include, but are not limited to:

- Employee benefits (retirement and insurance);
- Human resource management;
- Business operations (real estate development and management, state purchasing, and specialized services);
- Telecommunications; and
- Agency administration.¹

State Procurement of and Contracts for Personal Property and Services

Under ch. 287, F.S., the Division of State Purchasing in DMS is responsible for developing and administering standardized procurement policies, procedures, and practices to be used by state agencies in acquiring commodities, contractual services, and information technology. A variety of procurement methods are available for use by the agencies depending on the cost and characteristics of the needed good or service, the complexity of the procurement, and the number of available vendors. To guide the procedures for the procurement method to be used, the type of review required, and the method for the award of any contract, the following purchasing categories with threshold amounts have been established:

- Category one: \$20,000
- Category two: \$35,000
- Category three: \$65,000
- Category four: \$195,000
- Category five: \$325,000²

DMS prescribes methods of securing competitive sealed bids, proposals, and replies.³ The competitive solicitation process must be used for procurement of commodities or contractual services in excess of the category two threshold amount and include any of the following solicitation methods: invitations to bid, requests of proposals, and invitations to negotiate. Many services procured by state agencies are exempt from competitive solicitation requirements regardless of whether the purchase exceeds the applicable cost threshold, including artistic services, auditing services, and legal services.⁴ Agencies currently must seek approval from DMS to use an alternate contract source to purchase commodities or services from term contracts or requirements contracts competitively established by other governmental entities. In approving the alternate contract source, DMS determines if the contract source is cost-effective and in the best interest of the State.⁵

All agreements in excess of the category two threshold must be evidenced by a written agreement and include provisions for the required minimum level of service to be performed by the contractor, criteria for evaluating the successful completion of each deliverable, and financial consequences for nonperformance. There must

¹ See the Department of Management Services website, <http://www.dms.myflorida.com/> (last visited 04/18/2012).

² Section 287.017, F.S.

³ Rules 60A-1.041 & 60A-1.002, F.A.C.

⁴ Section 287.057(3)(f), F.S.

⁵ Rule 60A-1.047, F.A.C.

also be a provision dividing the contract into quantifiable, measurable, and verifiable units of deliverables that must be received and accepted in writing by the contract manager before payment. Each deliverable must be directly related to the scope of work and specify the required minimum level of service to be performed and criteria for evaluating the successful completion of each deliverable.⁶

State agencies may use a variety of procurement methods, depending on the cost and characteristics of the needed good or service, the complexity of the procurement, and the number of available vendors. These include the following:

- "Single source contracts," which are used when an agency determines that only one vendor is available to provide a commodity or service at the time of purchase;
- "Invitations to bid," which are used when an agency determines that standard services or goods will meet its needs, wide competition is available, and vendors' experience will not greatly influence the agency's results;
- "Requests for proposals," which are used when the procurement requirements allow for consideration of various solutions and the agency believes more than two or three vendors with the ability to provide the required goods or services exist; and
- "Invitations to negotiate," which are used when negotiations are determined to be necessary to obtain the best value and involve a request for highly complex, and customized services, by an agency dealing with a limited number of vendors.⁷

Chapter 287, F.S. also establishes a process by which a person may file an action protesting a decision or intended decision pertaining to contracts administered by DMS, a water management district, or certain other agencies.⁸

State Term Contracts

Agencies also purchase commodities and contractual services utilizing agreements called "state term contracts" procured by DMS.⁹ A state term contract is an agreement that leverages the state's volume and buying power to procure the best price for services and commodities. DMS negotiates state term contracts when it is in the best interest of the state to purchase mass quantities of a specific commodity or service. DMS is also responsible for compiling statistical procurement data concerning the method of procurement, terms, usage, and disposition of commodities and contractual services by agencies. This data is available in the Florida Accounting Information Resource Subsystem (FLAIR) and the state's MyFloridaMarketPlace (MFMP) centralized e-procurement system.¹⁰

The advantage of state term contracts is that the procurement process allows the state to leverage increased volume and buying power to provide commodities and services at lower cost to state agencies and other eligible users (OEU).¹¹ The more state agencies and OEUs utilize state term contracts, the more leverage DMS has in negotiating a better price. In FY 2011, the Division tracked the following state term contracts:

- PCs, laptops, and monitors;¹²
- Information Technology (IT) network infrastructure;¹³

⁶ Section 287.058(1), F.S.

⁷ See ss. 287.012(6) and 287.057(1), (3), F.S.

⁸ See s. 287.042(2)(c), F.S.

⁹ See ss. 287.042(2)(a) and 287.056, F.S.

¹⁰ Department of Management Services Operational Audit, Report No. 2011-075, January 2011 (copy on file with Government Efficiency Task Force staff).

¹¹ Section 287.012(11), F.S., provides that "Eligible user" means any person or entity authorized by the department pursuant to rule to purchase from state term contracts or to use the online procurement system." Rule 60A-1.005, F.A.C., provides that the following entities are eligible users: Governmental entities as defined in section 163.3164, F.S., (a county, city, school board, or special district, which have a physical presence in Florida) and any independent, nonprofit college or university that is located within the State of Florida and is accredited by the Southern Association of Colleges and Schools.

¹² 250-040-08-1.

- Medical and dental supplies;¹⁴
- Office and classroom supplies;¹⁵
- Uniforms;¹⁶ and
- Office and educational consumables.¹⁷

DMS identified \$41.6 million in annualized savings over FY 2011, which equates to 19% savings compared to the estimated spend under the pre-state term contract price.¹⁸

Category	Estimated Annual Spend (Before Sourcing)	Actual Identified Annual Savings \$	Actual Identified Annual Savings %	Impacted FY 11 Spend	Actual FY 11 Spend	Actual FY 11 Savings
PCs, Laptops and Monitors	\$174,861,114	\$56,834,099	33%	\$88,944,688.47	\$60,035,496	\$28,909,172.47
IT Hardware: Network Infrastructure	\$133,857,238	\$15,661,312	12%	\$91,204,979.65	\$80,533,987	\$10,670,922.65
Medical/Dental Supplies	\$8,466,927	\$2,024,192	24%	\$1,569,471.19	\$1,194,257.00	\$375,214.19
Office and Classroom Supplies	\$45,717,154	\$3,116,256	7%	\$4,915,976.74	\$4,580,885.00	\$335,091.74
Uniforms	\$2,285,981	\$325,461	14%	\$718,246.76	\$615,988.00	\$102,258.76
Office and Education Consumables	\$40,463,264	\$1,627,757	4%	\$31,235,860.42	\$29,986,426.00	\$1,249,434.42
Totals	\$405,651,678	\$79,589,077	19.6%	\$218,589,203.23	\$176,947,039	\$41,642,164.23

Despite the demonstrated success that DMS has attained in reducing costs for services and commodities through state term contracts, there is a large amount of unaddressed state spend that is not volume purchased through these contracts.¹⁹ Many state agencies have not taken full advantage of the state term contracts provided by DMS, so volume purchasing opportunities are missed. DMS estimates that \$1 to \$1.7 billion²⁰ was purchased by state agencies through a state term contract last fiscal year with the opportunity to source²¹ an additional \$1.8 to \$2.5 billion of state agency spend. This potential sourceable spend does not include OEU's, or commodities or services exempted pursuant to s. 287.057(3)(f), F.S.

¹³ 250-000-09-1.

¹⁴ 475-000-11-1.

¹⁵ 618-001-07-ACS.

¹⁶ 200-050-05-1.

¹⁷ 618-000-11-1.

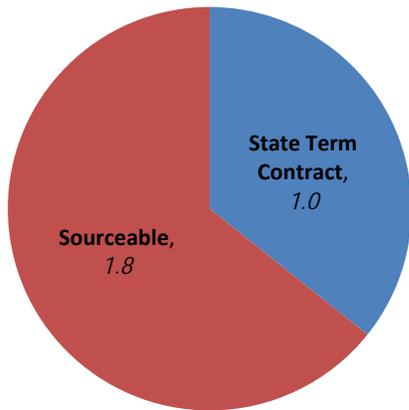
¹⁸ Report provided by DMS at request of the Government Efficiency Task Force General Government Subcommittee Chairman (copy on file with Government Efficiency Task Force staff).

¹⁹ Florida Senate, *State Contract Management System*, February 2011.

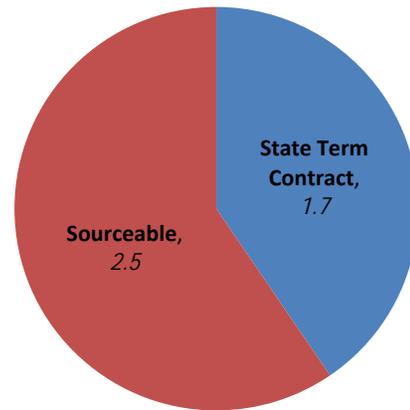
²⁰ DMS was able to track \$1 billion of state term contract spend through MFMP and estimates that an additional \$700 million was purchased on state term contracts outside of MFMP through FLAIR for a total estimate of \$1 to \$1.7 billion in total agency spend.

²¹ "Opportunity to source" refers to agency spend to which a strategic sourcing methodology could be applied (i.e. a state term contract could be negotiated to procure the service or commodity).

State Spend Low Estimate (in billions of \$)



State Spend High Estimate (in billions of \$)



If DMS was able to strategically source the additional \$1.8 to \$2.5 billion in sourceable spend through multiple state term contracts and achieve a savings between 6-10%, the result would be in the range of \$108-\$180 million²² to \$150-\$250 million²³ per year.

Change and Efficiency

Increase Use of State Term Contracts

The Subcommittee on General Government identified two primary reasons for under-utilization of state term contracts:

1. Lack of enforcement capability of DMS for state term contracts; and
2. Statutory barriers in the form of exceptions of use.

Approval of Non-Use of State Term Contracts

Section 287.042(2)(a), F.S., provides that DMS has the duty:

To establish purchasing agreements and procure state term contracts for commodities and contractual services, pursuant to s. 287.057, under which *state agencies shall*, and eligible users may, make purchases pursuant to s. 287.056.²⁴

Additionally, s. 287.056, F.S., provides that:

Agencies shall, and eligible users may, purchase commodities and contractual service from purchasing agreements established and state term contracts procured, pursuant to s. 287.057, by the department.²⁵

²² This range is based on a 6% or 10% savings on the additional \$1.8 billion of potential sourceable spend.

²³ This range is based on a 6% or 10% savings on the additional \$2.5 billion of potential sourceable spend.

²⁴ Emphasis added.

While state agencies are required to utilize state term contracts pursuant to statute,²⁶ DMS lacks an enforcement mechanism. Pursuant to rule 60A-1.044, F.A.C., an agency that chooses to purchase outside a state term contract need only document why the state term contract does not meet its needs. Since DMS does not have a part in the approval process for non-state term purchases, the Department does not receive feedback for improvement of state term contracts, which leads to ineffective contract negotiation and spend analysis.

Recommendation:

The Subcommittee recommends creating a process that gives the Department of Management Services (DMS) an approval role for non-state term contract purchases by agencies. Currently, while an agency may be mandated by statute to purchase from a state term contract, there is no approval or enforcement mechanism. DMS should have an approval role for agency purchases when the purchase can be made on a state term contract and the agency wants to purchase elsewhere. This would aid DMS in collecting data regarding the effectiveness of the state term contract and also enforce utilization of the state term contract when appropriate. This recommendation would aid DMS in strategically sourcing the estimated \$1.8-\$2.5 billion in potential sourceable spend to achieve an estimated savings between 6-10%. This would equate to a savings of **\$108-\$180 million**²⁷ to **\$150-\$250 million**²⁸ per year.²⁹

Statutory Barriers to Use of State Term Contracts

There are several statutory barriers to use of state term contracts. Section 287.057(3)(f), F.S., lists exceptions to the competitive solicitation requirements, including:

- Artistic services;
- Academic program reviews;
- Lectures by individuals;
- Legal services;
- Health services;
- Services provided to persons with mental or physical disabilities by not-for-profit corporations;
- Medicaid services delivered to an eligible Medicaid recipient;
- Family placement services;
- Prevention services related to mental health;
- Training and education services;
- Contracts entered pursuant to s. 337.11, F.S.; and
- Services or commodities provided by governmental agencies.

For example, in FY 2010-11 \$315 million, or 24% of the \$1.27 billion, in substance abuse and mental health contracts were procured under the health services exemption.³⁰ This spend may be sourceable, but due to the statutory authority, the purchase is exempt. Additionally, the combined spend for all exempt procurements is \$8.4 billion annually.³¹

²⁵ Emphasis added.

²⁶ See s. 287.042(2)(a), and 287.056(1), F.S.

²⁷ This range is based on a 6% or 10% savings on the additional \$1.8 billion of potential sourceable spend.

²⁸ This range is based on a 6% or 10% savings on the additional \$2.5 billion of potential sourceable spend.

²⁹ Sourcing and management of the added state term contracts may require additional staff.

³⁰ OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff). The Subcommittee on Health and Human Services is addressing the specific issue of substance abuse and mental health services procurement.

³¹ Analysis of the State Contract Management System database and agency data. Includes all exempt purchases, not just exemptions pursuant to s. 287.057(3)(f), F.S.

Recommendation:

The Subcommittee recommends removing statutory barriers to full utilization of state term contracts.

All exceptions to the competitive procurement process should be reviewed and those that are unnecessary should be repealed. By removing exemptions, there will be an increase in competition and ensure the best value for the State of Florida.

MyFloridaMarketPlace

MyFloridaMarketPlace (MFMP) was established to create a procure-to-pay system for commodities and services. The system aids DMS in utilizing a strategic sourcing methodology for state purchasing.³² MFMP's purpose is to increase visibility and analysis into statewide spend, which allows the state to consolidate purchases across state entities. The strategic sourcing model used by the Division of State Purchasing (the Division) seeks to maximize usage of MFMP by state agencies and other eligible users (OEU's) to:

- Increase total spend under management;
- Increase spend visibility; and
- Leverage the increased visibility and volume of spend to develop better procurements.

This visibility allows the Division to target deeper discounts through negotiations with suppliers, resulting in stronger contracts. The state as a whole, including local governments, realizes reduced costs of procured products and services from these contracts. MFMP currently provides catalog availability only to agencies in the State of Florida. Currently, less than 50 percent of State of Florida spend is under management. Industry best practice is to achieve spend management of more than 80 percent, which has been achieved by other states.³³

Utilization of MFMP by agencies provides the following benefits to the state:

1. Supply base management, which reduces procurement costs;
2. Supplier portal/network access, which creates greater competition;
3. Spend analysis, which provides a better understanding of state purchases;
4. Strategic sourcing, which leverages more dollars in order to achieve better pricing;
5. Contract lifecycle management, which reduces transition costs and provides greater visibility of spend; and
6. Procure-to-Pay availability, which reduces transaction costs.

In order for the state of Florida to achieve the greatest procurement efficiency and savings, state agencies need to utilize MFMP to its fullest capability. With greater use, the state agencies will achieve:

- Tighter control and better visibility of their purchases;
- Better control of encumbered funds;
- Significant reduction in invoicing and payment costs; and
- Easier detail and accessibility of spend data for audit purposes.

State Agency Utilization of MFMP

Currently, MFMP is not fully utilized by all agencies across state government. Measuring agency utilization is best captured in terms of the percent of addressable spend that is captured in agency MFMP Purchase Order

³² Section 287.057(22), F.S., directs DMS to develop a program for online procurement of commodities and contractual services, which developed into MyFloridaMarketPlace.

³³ North Highland, *Business Case Of The eProcurement Solutions*, p.10 (copy on file with Government Efficiency Task Force staff).

(PO) dollars. Currently, DMS State Purchasing identified \$3.8 billion of addressable spend in Fiscal Year 2011 (FY11). This was derived from FLAIR payments to vendors, categorized by accounting object code.

The expected total MFMP PO dollars at full agency utilization totals an estimated \$3.6 billion. Currently, there are state agencies that are exempted from both competitive solicitation and utilization of MFMP. According to DMS, exempt agencies account for an additional estimated \$100 million in addressable spend, while Purchasing card (P-card) transactions account for an additional estimated \$123 million in addressable spend. Additionally, approximately \$1.7 billion of the \$3.6 billion (47 percent) went through MFMP POs in FY11. Lastly, 32 vendors account for more than 65 percent of PO dollars not entered in MFMP. To better understand current state agency utilization trends, the Subcommittee has broken down agency MFMP PO utilization below into three categories:

1. State agencies with high utilization;
2. State agencies with medium utilization;
3. State agencies with low utilization.

The chart below shows the agencies organized by MFMP utilization.

State Agencies with High MFMP Utilization (75% or More PO Adoption)	State Agencies with Medium MFMP Utilization (75-30% PO Adoption)	State Agencies with Low MFMP Utilization (Less than 30% PO Adoption)
The Agency for Work Force Innovation ³⁴	Department of Health	State Courts System
Department of Highway Safety and Motor Vehicles	Department of Corrections	Department of Revenue
Division of Administrative Hearings	Department of State	Department of Juvenile Justice
Department of Veteran Affairs	Department of Elder Affairs	Department of Transportation
Florida Fish and Wildlife Conservation Commission	Attorney General and Legal Affairs	Department of Environmental Protection
Department of Financial Services	Executive Office of the Governor	Department of Military Affairs
Florida Department of Law Enforcement	Department of Community Affairs ³⁵	Agency for Health Care Administration
Florida Department of Business and Professional Regulation	Florida Parole Commission	Department of Citrus
Department of Management Services	Florida School for the Deaf and Blind	Florida Lottery
Agency for Persons with Disabilities		Department of Education
<i>Note: As of March 2012, the Department of Children and Families has 100 percent fully integrated MFMP utilization throughout the agency.</i>		

Change and Efficiency

Increase Usage of MyFloridaMarketPlace

1% Transaction Fee

One of the main identified factors for under utilization involved the 1% fee currently charged to vendors who utilize MFMP. Section 287.057(22)(c), F.S., provides that: "The department may impose and shall collect all fees for the use of the online procurement systems." The statute provides DMS flexibility in setting the fees for usage of MFMP. The current 1% is established via rule 60A-1.031, F.A.C., with a list of exceptions to the 1% fee provided in rule 60A-1.032, F.A.C.

³⁴ Transitioned to Department of Economic Opportunity in 2011.

³⁵ Transitioned to Department of Economic Opportunity in 2011.

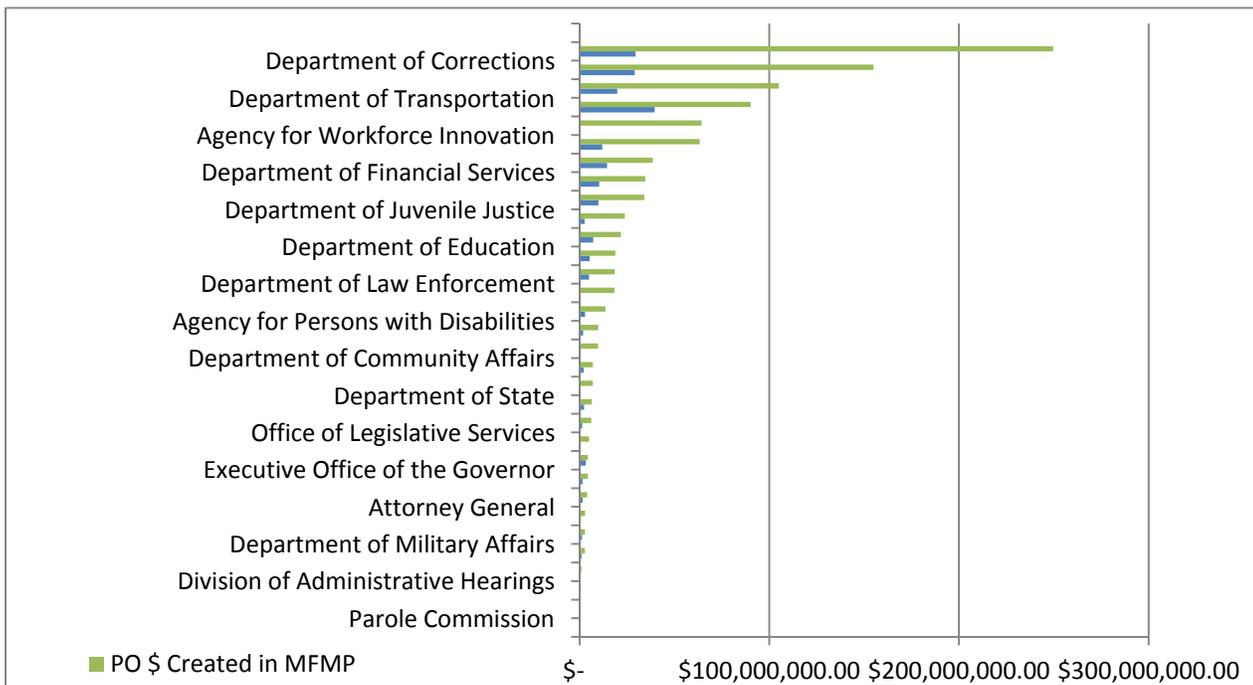
Recommendation:

The Subcommittee recommends that the 1% usage fee for MyFloridaMarketPlace (MFMP) be reviewed and adjusted to allow for the greatest utilization by state agencies and other eligible users. Users of MFMP are charged a 1% usage fee. The fee and funding structure of MFMP should be reviewed and changed to allow for the greatest utilization.³⁶ If increased utilization was able to generate a 1% savings on only 50% of the possible spend that could utilize MFMP, to the savings would total **\$9.5 million** dollars.³⁷

Full Cycle Utilization

As demonstrated in the below graph, agencies do not fully utilize MFMP. Many agencies will order (create a PO) within the system, but will not utilize the e-Invoicing system; instead the agency will utilize FLAIR. Utilizing FLAIR creates additional soft and hard costs³⁸ involved in the invoicing process. Two separate reports estimate a savings of \$10-\$15 per transaction if the order were to be processed via the e-Invoicing in MFMP rather than through FLAIR.³⁹ DMS has estimated a cost savings of \$10.9 to \$11.9 million per year if 80% of addressable spend were to utilize the e-Invoicing system with MFMP.

MFMP Invoice Payment dollars against MFMP POs



³⁶ DMS provided several high level concepts of a revised fee, including reducing the fee, an e-transaction incentive model, and two hybrid models (on file with Government Efficiency Task Force staff).

³⁷ This is calculated by taking 1% of the 50% of the 1.9 billion in potential MFMP spend (1% of \$950 million), which equates to \$9.5 million.

³⁸ Soft costs refer to the labor involved in processing the order, while hard costs refer to the printing and sending of the invoice.

³⁹ These reports were done by Forrester and Accenture (copy on file with Government Efficiency Task Force staff).

Recommendation:

The Subcommittee recommends that DMS measure full cycle utilization. There are significant savings to be realized by not printing and mailing out invoices to customers. The hard costs alone (postage, paper, custom envelopes) are significant enough to justify adoption, but there are also significant soft costs in labor savings. Agencies should utilize MFMP for invoicing. This recommendation would result in savings of **\$10.9 to \$11.9 million** per year if implemented.⁴⁰

MFMP Enhancements

DMS's objective is to establish the following guiding principles to ensure that MFMP is fully as a best-in class⁴¹ e-Procurement solution:

- Maximize spend visibility;
- Maximize usage by both agencies and other governmental entities;
- Bring best value to the state through strategic sourcing, standard contracts, and processes;
- Manage administrative costs through self-service and a shared services delivery model; and
- Create a flexible technology platform that is easy to use and maintain.

There are several enhancements available to the MFMP system which can further improve the realized efficiencies, produce greater savings from economies of scale, support open government requirements, better leverage OEU spend to Florida's collective benefit, further ease implementation of a unified statewide procurement process, embrace national and best-in-class standards, and embrace new cloud technology.

Recommendations:

The Subcommittee recommends implementing a data analytics solution. MFMP should be modified to assist the state in gaining greater spend visibility for goods and/or services than is currently available. The goal should be data normalization at a minimum standard of 80 percent of the available dataset covering:

- a. Suppliers – including but not limited to:
 - i. Utilizing an external database to demonstrate parent-child relationships
 - ii. Federal employer identification number (FEIN) validation
 - iii. Physical location detail
- b. Commodity code– Including but not limited to:
 - i. Transition to National Institute of Governmental Purchasing commodity codes
 - ii. Validate commodity code spend against vendor business class
- c. Supplier business status validation from a vendor-supplied database covering:
 - i. Minority
 - ii. Veteran
 - iii. Small Business

The services should provide information that will support the shared services initiatives the state is currently undertaking and should provide greater visibility in expenditures made by state agencies. This enhancement provides the necessary data to support a strategic sourcing process for the State of Florida. The ability to access disparate data sources and normalize spend creates a benchmarking opportunity that allows agencies and other users to evaluate procurement performance.

⁴⁰ The savings estimate is based on DMS calculations based on two reports by Accenture and Forrester.

⁴¹ Gartner, *Understanding Your Top Procurement Processes*, May 11, 2011 (Copy on file with Government Efficiency Task Force staff).

The Subcommittee recommends automating electronic posting of solicitations created in Sourcing to the Vendor Bid System (VBS). DMS developed and manages the VBS, to which approximately 1,000 solicitations are posted each year. DMS also uses the Ariba Sourcing application to post solicitations and receive responses. One of DMS's goals is to roll-out the Ariba Sourcing application to all agencies. Currently all agencies use VBS and are required to manually post information in the system. DMS should create a solution to facilitate the automated posting of solicitation information in VBS from Ariba Sourcing to avoid manually entering data in both systems. This enhancement will reduce the duplication of efforts by state agencies as the Ariba Sourcing module is rolled out to other agencies in Florida.

The Subcommittee recommends that DMS automate the workflow between the Ariba Buyer and Ariba Sourcing modules. Buyers must manually create a requisition within MFMP Buyer when an electronic quote or sourcing event is awarded in the Sourcing tool. DMS should create a solution to automate the creation of requisitions in Buyer for electronic quotes awarded in Sourcing.

The Subcommittee recommends providing a public portal for contract information. DMS maintains all statewide agreement documents and contract information on the DMS website, as well as in the MFMP application. A best-in-class solution will provide a tool to maintain contract information within MFMP complemented by a public portal for contract information, in order to prevent the duplication of data in multiple locations. This enhancement would replace the DMS state term contract website and would be available to other agencies in a shared solutions model to support transparency in Florida.

Other Eligible Users (OEU)

OEU account for a significant amount of the sourceable spend on state term contracts. The more OEU utilize state term contracts and MFMP, the more DMS is able to negotiate better prices due to increase in volume of spend. MFMP does not currently utilize a public facing catalog for OEU. The public facing catalog would be similar to the platform on amazon.com or other on-line stores. The catalog would significantly increase the ease of ordering from MFMP for OEU.⁴²

MFMP also utilizes Florida commodity codes. This codes are unique to the state and do not correspond with the majority of industry codes. Most OEU use National Institute of Governmental Purchasing (NIGP) codes. The difference in coding makes it difficult for OEU to navigate and locate the commodities they wish to purchase through MFMP and post solicitations on VBS once it becomes available to OEU.

Recommendations:

The Subcommittee recommends providing a public facing catalog solution. DMS establishes catalogs for all state term contracts in MFMP Buyer from which customers purchase. Current catalog types include line items, punch-outs (an interface between a supplier's online ordering portal and Buyer), and ordering instructions (general instructions to buyers on how to purchase). DMS is working to create a solution to make the MFMP catalog component available to other eligible users (OEU), (e.g., cities, counties, universities, etc.). This enhancement will also allow users to create a shopping cart of various items for print view reference and will accept P-card payment functionality. This addition will support the goal of increasing spend visibility by capturing purchases from OEU and making them reportable in MFMP analysis. This enhancement will better drive spend to state term contracts. Leveraging purchases across the entire State of Florida is a key component of strategic sourcing and will deliver better value to all Florida taxpayers.

The Subcommittee recommends converting Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes. The State of Florida currently leverages custom commodity codes. These commodity codes are maintained by the Division of State Purchasing (the division) and are associated to a default object code (defined by DFS). DMS is interested in moving away from Florida customized

⁴² OEU spend is not currently tracked through MFMP. Vendors self report the sales in order to reconcile the 1% fee with the state. It is estimated that the amount reported by vendors is lower than the actual amount. See rule 60A-1.031, F.A.C.

commodity codes to a set of standard industry codes. Most OEUs utilize NIGP codes. If they are adopted as the State of Florida standard, it will be easier for the OEUs to utilize MFMP and VBS.

Strategic Sourcing

The ultimate goal of the Subcommittee recommendations is to aid DMS in its mission to strategically source commodities and services, for both the state and OEUs, in order to achieve the best price. Increased utilization of state term contracts will immediately realize savings by negotiating a better price for agency purchases and will also allow DMS to continually negotiate better state term contracts through the increase in the volume of spend. Increased use of MFMP allows DMS to track spending and in turn negotiate new state term contracts or identify new avenues for savings.

Recommendations:

The Subcommittee recommends utilizing the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services. If utilization of state term contracts and utilization of MFMP are increased, the state will achieve greater spend visibility and purchasing leverage. DMS should utilize these processes to strategically procure and achieve greater savings.

The Subcommittee recommends creating an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing. In order to encourage agency compliance with the utilization of state term contracts and MFMP, the state should adopt an incentive model that awards an agency for cost savings through strategic procurement. The state should set realistic goals for savings achievement and reward agencies for achieving those goals, not just for participating.

Consultants' Competitive Negotiation Act

The Consultants' Competitive Negotiation Act (CCNA) was passed in 1973.⁴³ The Act is largely based on the Federal Brooks Act, which was passed in 1972.⁴⁴ CCNA provides that all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping,⁴⁵ be contracted according to qualifications-based selection (QBS). CCNA applies to all projects above \$325,000 and all studies above \$35,000⁴⁶ bid out by the state, a state agency, a municipality, a political subdivision, a school district, or a school board.⁴⁷

QBS follows these phases:

Phase One:

1. The agency publicly announces the project or study.⁴⁸
2. The agency evaluates current statements of qualifications and performance currently on file, together with those that are submitted by other firms and conducts discussions with no fewer than three firms regarding their qualifications, approach to the project, and ability to furnish the required services.⁴⁹

⁴³ See s. 287.055, F.S.

⁴⁴ See Public Law 92-582.

⁴⁵ Section 287.055(2)(a), F.S.

⁴⁶ See s. 287.055(3)(a)(1), F.S., which cites to s. 287.017, F.S. Section 287.017(5), F.S., provides that a category 5 project is defined as a project over \$325,000 and s. 287.017(2), F.S. provides that a category 2 is a study over \$35,000.

⁴⁷ Section 287.055(2)(b), F.S.

⁴⁸ Section 287.055(3)(a)(1), F.S.

⁴⁹ Section 287.055(4)(a), F.S.

3. The agency then selects in order of preference no fewer than three firms deemed to be the most qualified.⁵⁰
4. The agency may consider the following factors in determining whether a firm is qualified: ability of professional personnel; whether a firm is a certified minority business enterprise; past performance; willingness to meet time and budget requirements; location; recent, current, and projected firm workload; and the volume of work previously awarded to each firm by the agency.⁵¹
5. The agency may not consider compensation during this phase.⁵²

Phase Two:

1. The agency negotiates with the most qualified firm regarding compensation.⁵³
2. If the agency cannot come to an agreement with the most qualified firm, then negotiations with that firm must be formally terminated.⁵⁴
3. The agency may then begin negotiations with the second most qualified firm.⁵⁵
4. If the agency cannot come to an agreement with the second most qualified firm, then negotiations with that firm must be formally terminated.⁵⁶
5. The agency may then begin negotiations with the third most qualified firm.⁵⁷
6. If the agency cannot come to an agreement with the third most qualified firm, then negotiations with that firm must be formally terminated.⁵⁸
7. If the agency cannot negotiate a satisfactory contract with any of the three most qualified firms, the agency can negotiate with additional firms selected in order of their competence and qualifications.⁵⁹
8. Once negotiations with a firm are terminated, the agency may not resume negotiations with that firm for the project.

Recommendation:

The Subcommittee recommends that state agencies utilize the “Best Value” process.⁶⁰ The best value process is defined as:

The selection of a firm or firms whose proposal provides the greatest overall benefit to an agency in accordance with the requirements of a formal solicitation.

⁵⁰ Section 287.055(4)(b), F.S.

⁵¹ Id.

⁵² Section 287.055(4)(c), F.S.

⁵³ Section 287.055(5)(a), F.S. “Compensation which the agency determines is fair, competitive, and reasonable.”

⁵⁴ Section 287.055(5)(b), F.S.

⁵⁵ Id.

⁵⁶ Id.

⁵⁷ Id.

⁵⁸ Section 287.055(5)(b), F.S.

⁵⁹ Section 287.055(5)(c), F.S.

⁶⁰ The process was presented by Mr. Steve Carnell at the November 2, 2011, meeting of the Government Efficiency Task Force. See <http://www.floridaefficiency.com/2011meetings.cfm> (last visited 5/7/12). The Subcommittee on General Government also discussed CCNA and the best value process at the April 11, 2012 and May 2, 2012 meetings and adopted the best value process as a recommendation. For the full recommendation analysis see <http://www.floridaefficiency.com/UserContent/docs/File/2011GETFallRecommendations.pdf> (last visited 5/7/12).

The best value process allows agencies to:

1. Solicit proposals and include a written scope of work for the project to the competing firms.
2. Rank all firms based on qualifications and establish a “short list.”⁶¹
3. Rank “short listed” firms on qualifications and price.⁶²

Price would be allowed to be solicited from the top three most qualified firms only and would be factored in to the evaluation at no more than 50%. Since unqualified firms would not make the original short list, only the most qualified firms would have an opportunity to be awarded the contract. This would address the concerns raised about health and human safety in the procurement process.

⁶¹ The first two steps are the same as the current CCNA process and would remain the same under best value.

⁶² The third step is a deviation from CNNA and would allow price to be a component of ranking the short list.



Government Efficiency Task Force

State Procurement Recommendations

Subcommittee on General Government

Chair: Pat Neal

Subcommittee: Senator Mike Bennett, Speaker Larry
Cretul, Ann W. Duncan, and Colonel Frances P. Rice

June 6th, 2012



Division of State Purchasing

- Division within the Department of Management Services
- Responsible for developing procurement policies, procedures, and practices for acquiring commodities, contractual services, and IT



State Term Contracts

- An agreement that leverages the state's volume and buying power to procure the best price for services and commodities
- DMS negotiates these contracts when it is in the best interest of the state to purchase mass quantities of a specific commodity or service



Advantages

- Allows the state to leverage increased volume and buying power to provide commodities and services at lower cost to the state and other eligible users (OEU's)
- The more state agencies and OUEs use state term contracts, the more leverage DMS has
- Examples of state term contracts: PCs, IT network infrastructure; medical supplies, and office supplies



Savings

- DMS tracked 6 state term contracts for FY 2011
- Identified \$41.6 million in savings from state term contracts over previous spends
- Many state agencies and OEUs do not take advantage of state term contracts



Savings

- DMS has estimated that between \$1-\$1.7 billion was purchased by state agencies through state term contracts last fiscal year
- Estimated that they can source an additional \$1.8 to \$2.5 billion
- Additional sourcing may result in 6-10% savings, which would equate to up to \$250 million per year in savings



Recommendation

- **The Subcommittee recommends creating a process that gives the Department of Management Services (DMS) an approval role for non-state term contract purchases by agencies.**



Barriers to Use

- There are exceptions to the use of complete solicitations requirement, including:
 - Artistic services
 - Academic program reviews
 - Lectures by individuals
 - Legal services
 - Health services
 - Services provided to persons with mental or physical disabilities by not-for-profit corporations
 - Medicaid services delivered to an eligible Medicaid recipient
 - Family placement services
 - Prevention services related to mental health
 - Training and education services



Barriers to Use

- For example, \$315 million, or 24% of the \$1.27 billion of health services was procured pursuant to the “Health Services” exemption.
- \$8.4 billion was procured pursuant to an exemption.
- This may be sourceable, but due to statutory authority, the purchases are exempt.



Recommendation

- **The Subcommittee recommends removing statutory barriers to full utilization of state term contracts.**



MyFloridaMarketPlace (MFMP)

- MFMP was established to create a procure-to-pay system for commodities and services.
- MFMP's purpose is to increase visibility and analysis into statewide spend, which allows the state to consolidate purchases across state entities.
- This visibility allows the Division to target deeper discounts through negotiations with suppliers, resulting in stronger contracts.



MFMP

- Utilization of MFMP by agencies provides the following benefits to the state:
 1. Supply base management, which reduces procurement costs;
 2. Supplier portal/network access, which creates greater competition;
 3. Spend analysis, which provides a better understanding of state purchases;
 4. Strategic sourcing, which leverages more dollars in order to achieve better pricing;
 5. Contract lifecycle management, which reduces transition costs and provides greater visibility of spend; and
 6. Procure-to-Pay availability, which reduces transaction costs.



MFMP Usage

- In order for the state of Florida to achieve the greatest procurement efficiency and savings, state agencies need to utilize MFMP to its fullest capability
- Advantages for state agencies include:
 1. Tighter control and better visibility of their purchases;
 2. Better control of encumbered funds;
 3. Significant reduction in invoicing and payment costs; and
 4. Easier detail and accessibility of spend data for audit purposes.



Government Efficiency Task Force

MFMP Usage by Agency

State Agencies with High MFMP Utilization (75% or More PO Adoption)	State Agencies with Medium MFMP Utilization (75-30% PO Adoption)	State Agencies with Low MFMP Utilization (Less than 30% PO Adoption)
The Agency for Work Force Innovation ¹	Department of Health	State Courts System
Department of Highway Safety and Motor Vehicles	Department of Corrections	Department of Revenue
Division of Administrative Hearings	Department of State	Department of Juvenile Justice
Department of Veteran Affairs	Department of Elder Affairs	Department of Transportation
Florida Fish and Wildlife Conservation Commission	Attorney General and Legal Affairs	Department of Environmental Protection
Department of Financial Services	Executive Office of the Governor	Department of Military Affairs
Florida Department of Law Enforcement	Department of Community Affairs ²	Agency for Health Care Administration
Florida Department of Business and Professional Regulation	Florida Parole Commission	Department of Citrus
Department of Management Services	Florida School for the Deaf and Blind	Florida Lottery
Agency for Persons with Disabilities		Department of Education

Note: As of March 2012, the Department of Children and Families has 100 percent fully integrated MFMP utilization throughout the agency.



MFMP Usage

- One of the main identified factors for under-utilization involved the 1% fee currently charged to vendors who utilize MFMP.



Recommendation

- **The Subcommittee recommends that the 1% usage fee for MyFloridaMarketPlace (MFMP) be reviewed and adjusted to allow for the greatest utilization by state agencies and other eligible users.**



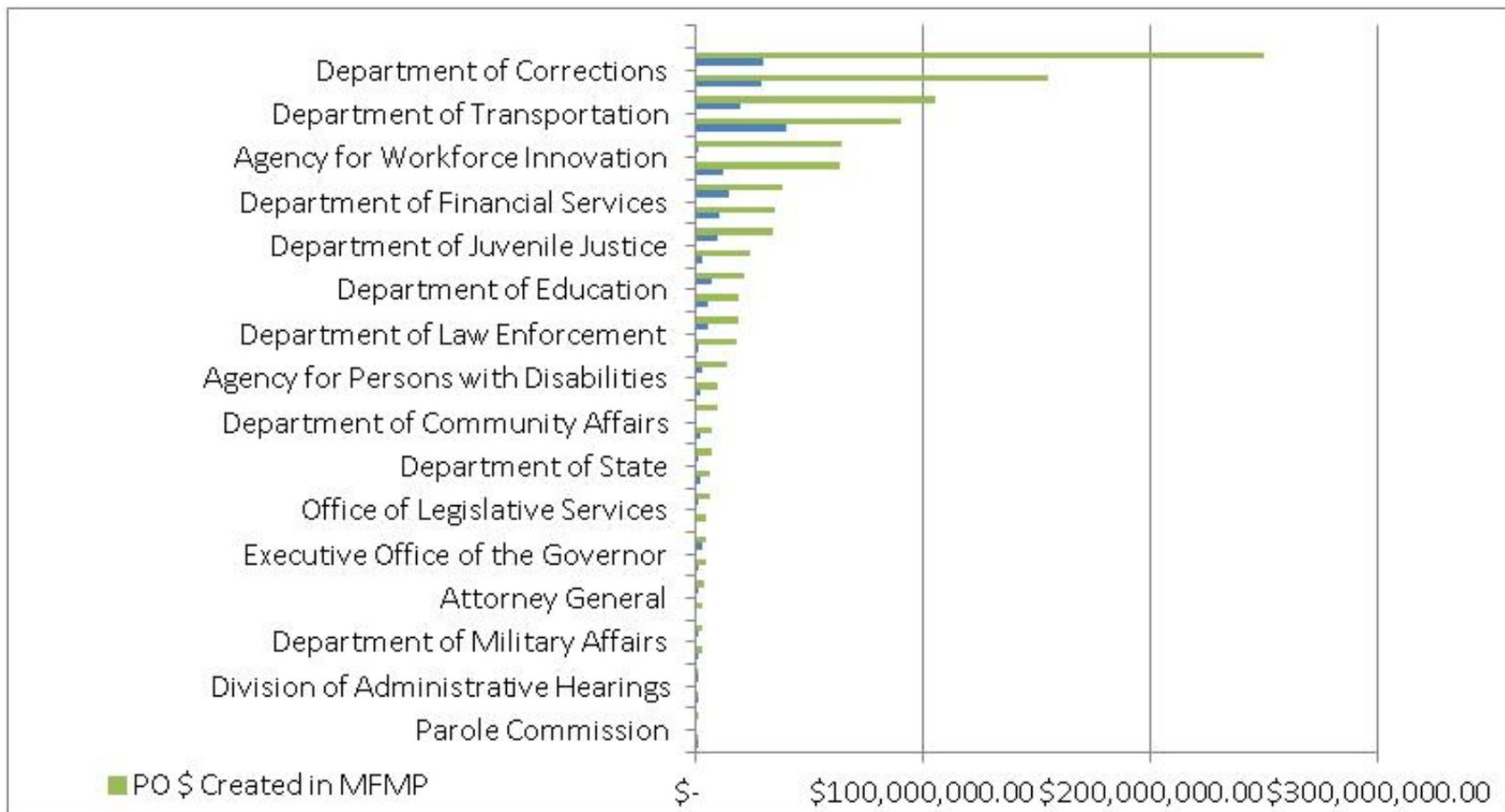
MFMP Full Utilization

- Agencies do not fully utilize MFMP.
- Many agencies will order (create a PO) within the system, but will not utilize the e-Invoicing system; instead the agency will utilize FLAIR.
- Utilizing FLAIR creates additional soft and hard costs involved in the invoicing process.
- Estimated savings per transaction is \$10-\$15 if orders were to be processed via the e-Invoicing in MFMP.



Government Efficiency Task Force

MFMP Utilization





Recommendation

- **The Subcommittee recommends that DMS measure full cycle utilization.**
- **This recommendation would result in savings of \$10.9 to \$11.9 million per year if implemented.**



MFMP Enhancements

- DMS's objective is to establish the following guiding principles to ensure that MFMP operates fully as a best-in class e-Procurement solution:
 - Maximize spend visibility;
 - Maximize usage by both agencies and other governmental entities;
 - Bring best value to the state through strategic sourcing, standard contracts, and processes;
 - Manage administrative costs through self-service and a shared services delivery model; and
 - Create a flexible technology platform that is easy to use and maintain.



Recommendations

- **The Subcommittee recommends implementing a data analytics solution.**
- **The Subcommittee recommends automating electronic posting of solicitations created in Sourcing to the Vendor Bid System (VBS).**
- **The Subcommittee recommends that DMS automate the workflow between the Ariba Buyer and Ariba Sourcing modules.**
- **The Subcommittee recommends providing a public portal for contract information.**



Other Eligible Users (OEUs)

- OEUs account for a significant amount of the sourceable spend on state term contracts.
- The more OEUs utilize state term contracts and MFMP, the more DMS is able to negotiate better prices due to increase in the volume of spend.



Recommendations

- **The Subcommittee recommends providing a public facing catalog solution.**
- **The Subcommittee recommends converting Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes.**



Strategic Sourcing

- The ultimate goal of the Subcommittee recommendations is to aid DMS in its mission to strategically source commodities and services, for both the state and OEUs, in order to achieve the best price.



Recommendations

- **The Subcommittee recommends utilizing the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services.**
- **The Subcommittee recommends creating an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing.**



Consultants' Competitive Negotiation Act

- CCNA provides that all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping, be contracted according to qualifications-based selection (QBS).



Recommendation

- **The Subcommittee recommends that state agencies utilize the “Best Value” process.**



Florida Government Efficiency Task Force

Subcommittee on General Government

Recommendation Analysis

Subject Matter: Florida Retirement System (FRS)

Subcommittee Members: Pat Neal (Chair), Senator Mike Bennett, Ann Duncan, Larry Cretul, and Frances Rice

RECOMMENDATION SUMMARY

On May 2, 2012, the Subcommittee on General Government voted to approve the following recommendation regarding the Florida Retirement System (FRS):

- **Define a goal for the state retirement system.** The state does not currently have a defined goal for the retirement system. The Florida Statutes and Constitution provide requirements, but do not outline a set goal or purpose for the state.
- **Prioritize portability and transferability of retirement funds.** The DC plan currently offers portability for its members. Due to the changing nature of employment and the increasingly transient nature of employees, the state should place a priority on portability and transferability for all state employee retirement funds.
- **Review the assumed long term returns on the pension fund and the acceptable funding level.** The current assumed return for the FRS pension fund is 7.75%. This assumed rate should be reviewed in context of past market performance to determine if this is an accurate assumption. Various studies have indicated that a funding level of 80% is generally accepted as actuarially sound. As of June of 2011, the FRS pension fund has a funding level of 87.5%. The funding level has many assumptions built in including an assumed rate of return, length of FRS membership, vesting time of benefits. The funding level policy should be reviewed in the context of the potential issues surrounding retirement funds. The subcommittee also recommends that employees contribute a portion of their salary towards their retirement plan.
- **Place a cap on the average salary for calculating pension benefits.** High salaried employees are one of the drivers of increased funding liability for the pension fund. The Internal Revenue Service (IRS) limits the amount of annual salary that may be applied towards retirement under a qualified plan. Currently, the IRS limits the annual salary to \$245,000 for members hired on or after 7/1/96 and \$363,820 for members hired prior to 7/1/96. The Subcommittee recommends a cap on salary applied towards retirement in line with the average salary of a head of state agency, which is \$140,000.
- **Consider a hybrid retirement system.** Various states have either adopted or are considering a hybrid retirement plan (incorporates both DB and DC plans). Florida should review the hybrid option as a method to reduce future unfunded liability, provide flexibility for employees, and ensure adequate guaranteed retirement funds for state employees, particularly lower earning employees.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. FLORIDA RETIREMENT SYSTEM

The Florida Retirement System (FRS) was established in 1970 when the Legislature consolidated the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund.¹ The Florida Retirement System Act² governs the FRS, which is a multi-employer plan that provides retirement benefits to 643,680 active members,³ 319,689 retired members and beneficiaries, and 45,092 members in the Deferred Retirement Option Program (DROP).⁴ The FRS is the primary retirement plan for employees of state and county government agencies, district school boards, community colleges, and universities.⁵ Participation in the FRS is compulsory for most state employees.⁶ The FRS also serves as the retirement plan for participating employees of 185 cities and 243 special districts.⁷

The membership of FRS is divided into five membership classes:

- Regular Class:⁸ 561,126 (87.1%)
- Special Risk Class:⁹ 72,675 (11.3%)
- Special Risk Administrative Support Class:¹⁰ 63 (0.01%)
- Elected Officers' Class:¹¹ 2,218 (0.34%)
- Senior Management Service Class:¹² 7,598 (1.2%)¹³

There are currently two retirement programs in which a member of the Florida Retirement System may participate: The Florida Retirement System Pension Plan (defined benefit or DB plan) or the Florida Retirement System Investment Plan (defined contribution or DC plan).

FRS Pension Plan

The FRS DB Plan was created in 1970 and is administered by the secretary of the Department of Management Services through the Division of Retirement. Investment management is performed by the State Board of Administration. The DB plan also serves as the default retirement plan membership for all FRS participants. As

¹ *The Florida Retirement System Annual Report*, 7/1/10- 6/1/11, pg. 10, [https://www.rol.frs.state.fl.us/forms/2010-11 Annual Report.pdf](https://www.rol.frs.state.fl.us/forms/2010-11%20Annual%20Report.pdf) (last visited 5/15/12). In 1972, the Judicial Retirement system was also consolidated into the FRS.

² See Ch. 121, F.S.

³ Information provided by the Department of Management Services, Division of Retirement (information on file with Government Efficiency Task Force staff). Current as of 2/1/12.

⁴ *The Florida Retirement System Annual Report* at 22 (as of 6/1/11).

⁵ As of June 2011, there were 67 school boards, 28 community colleges, 396 county agencies and 55 agencies of the state participating in the FRS. *Id.* at 38.

⁶ Section 121.051, F.S.

⁷ *The Florida Retirement System Annual Report* at 38 (as of 6/1/11).

⁸ See s. 121.021(12), F.S. Regular Class "consists of all members who are not in the Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class, or Senior Management Class."

⁹ See s. 121.0515, F.S. Members of this class include law enforcement officers, firefighters, correctional officers, correctional probation officers, paramedics, emergency medical technicians, certain professional health care workers within Department of Corrections and the Department of Children and Family, and certain forensic employees.

¹⁰ See s. 121.0515(8), F.S. Members are former members of the special risk class who are transferred or reassigned to an administrative support position in certain circumstances.

¹¹ See s. 121.052, F.S. Members are those who hold specified elective offices in either state or local government.

¹² See s. 121.055, F.S. Members are generally high level executive and legal staff or as specifically provided in law.

¹³ Information provided by the Department of Management Services, Division of Retirement (information on file with Government Efficiency Task Force staff). Current as of 2/1/12.

of July 1, 2011, all active FRS members are required to contribute three percent of their gross salary towards their retirement plan.¹⁴

A member vests in the pension plan and becomes eligible for lifetime pension benefits after six years of employment with an FRS employer if initially enrolled before July 1, 2011, or after eight years if initially enrolled July 1, 2011, and after.¹⁵ The benefits payable are calculated based on the years of service times the accrual rate times the average final compensation.¹⁶ As of February 29, 2012, the market value of the pension fund was \$126.125 billion.¹⁷

FRS Investment Plan

In 2000, the Legislature created the FRS Investment Plan (DC plan), a defined contribution plan offered to eligible employees as an alternative to the pension (DB) plan. The earliest any member could participate in the investment plan was July 1, 2002.

The plan is similar to private sector 401(k) plans. Benefits under the investment plan accrue in individual member accounts funded by employee and employer contributions.¹⁸ Benefits are provided through employee directed investments offered by approved investment providers.¹⁹ As of February 29, 2012, the total amount of funds in the investment plan was \$7.067 billion.²⁰

Employer and Employee Contributions

Section 121.71, F.S., provides employee and employer contributions to the Florida Retirement System. For FY 2011-12, all active FRS members are required to contribute three percent of their gross compensation, with the exception of members of DROP.²¹ The contribution rates to fund normal cost benefits by employers for each membership class for FY 11-12 are:

- Regular Class: 3.28%
- Special Risk Class: 10.21%
- Special Risk Administrative Support Class: 4.07%
- Elected Officers' Class:²² 7.02%
- Elected Officers' Class:²³ 9.78%
- Elected Officers' Class:²⁴ 9.27%
- Senior Management Class: 4.81%
- DROP: 3.31%²⁵

Section 121.71(5), F.S., also provides for employer contributions in order to address unfunded actuarial liabilities of the FRS Pension Plan. The contribution rates for employers for each membership class for FY 11-12 are:

- Regular Class: 0.49%
- Special Risk Class: 2.75%
- Special Risk Administrative Class: 0.83%

¹⁴ See s. 121.71(3), F.S.

¹⁵ See s. 121.021(45)(b), F.S. The eight-year vesting period applies to employees covered under the FRS plan hired after July 1, 2011. The vesting period is six years for employees hired prior to July 1, 2011.

¹⁶ See s. 121.091, F.S.

¹⁷ See <http://www.sbafla.com/fsb/> (last visited 5/15/12).

¹⁸ Section 121.4501(7), F.S. Prior to July 1, 2011, the member accounts were only employer funded.

¹⁹ Section 121.4501(9), F.S.

²⁰ See <http://www.sbafla.com/fsb/> (last visited 5/15/12).

²¹ Section 121.71(3), F.S.

²² Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

²³ Justices and judges.

²⁴ County elected officials.

²⁵ Section 121.71(4), F.S.

- Elected Officers' Class:²⁶ 0.88%
- Elected Officers' Class:²⁷ 0.77%
- Elected Officers' Class:²⁸ 0.73%
- Senior Management Class: 0.32%
- DROP: 0.00%²⁹

Employer and employee contributions are contributed monthly to the Division of Retirement and are initially deposited in the Florida Retirement System Contributions Clearing Trust Fund.³⁰ Allocations to investment plan member accounts are established pursuant to section 121.72(3), F.S., by membership class. For FY 11-12, the allocations for the investment plan members are:

- Regular Class: 9.00%
- Special Risk Class: 20.00%
- Special Risk Administrative Class: 11.35%
- Elected Officers' Class:³¹ 13.40%
- Elected Officers' Class:³² 18.90%
- Elected Officers' Class:³³ 16.20%
- Senior Management Class: 10.95%³⁴

After making the allocations required by statute,³⁵ the remaining balance in the Florida Retirement System Contributions Clearing Trust Fund is transferred to the Florida Retirement Trust Fund to pay the costs of providing pension plan benefits and plan administration.³⁶ The disability coverage for Investment Plan members is administered by the Division of Retirement and the funding specified in s. 121.71(3), F.S. is transferred to the Florida Retirement System Trust Fund to pay the cost of this benefit.

Employee Participation

At the time of initial employment, a member of the FRS may choose to either participate in the pension plan or investment plan. If the member does not choose, the default choice is the pension plan. A member has one additional choice before termination or retirement to change retirement plans. The charts below reflect the current membership of the FRS by class and by retirement plan.³⁷

²⁶ Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

²⁷ Justices and judges.

²⁸ County elected officials.

²⁹ Section 121.71(5), F.S.

³⁰ Section 121.71(2), F.S.

³¹ Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

³² Justices and judges.

³³ County elected officials.

³⁴ Section 121.72(4), F.S. House Bill 5005, passed during the 2012 session, reduces the contribution levels by approximately 30%. See <http://www.flsenate.gov/Session/Bill/2012/5005/BillText/er/PDF> (last visited 5/15/12).

³⁵ The allocations include investment member account funds (s. 121.72, F.S.), member disability coverage (s. 121.73, F.S.), and administrative and educational expenses (s. 121.74, F.S.).

³⁶ Section 121.75, F.S.

³⁷ Information was provided by the Department of Management Services, Division of Retirement (current as of 2/28/12 and on file with Government Efficiency Task Force staff).

	Class	Members in Pension Plan	Total Salary	Members in Investment Plan	Total Salary
FRS	Regular	472,198	\$18,585,083,221	88,928	\$3,439,293,624
	Senior Management	5,430	\$453,933,974	2,168	\$145,877,359
	Special Risk	61,280	\$3,315,508,794	11,395	\$624,543,868
	Special Risk Admin. Support	45	\$2,070,774	18	\$796,462
	Elected Officer	1,682	\$142,579,733	536	\$26,073,922

The vast majority of FRS members participate in the pension plan (84%) versus the investment plan (16%). The percentage breakdown per class is as follows:

- Regular Class: 84.2% (Pension Plan) and 15.8% (Investment Plan)
- Senior Management Class: 71.5% (Pension Plan) and 28.5% (Investment Plan)
- Special Risk Class: 84.3% (Pension Plan) and 15.7% (Investment Plan)
- Special Risk Admin. Support Class: 71.4% (Pension Plan) and 28.6% (Investment Plan)
- Elected Officer Class: 75.8% (Pension Plan) and 24.2% (Investment Plan)

Member plan choice has been consistent over the last three fiscal years. The chart below shows new employee choice of retirement plans.³⁸

Participant Election Data			
New Employee Elections			
	**Default to Pension	Pension Plan	Investment Plan
FY 09-10	21,501 (55.5%)	8,158 (21.1%)	9,071 (23.4%)
FY 10-11	21,049 (52.6%)	9,042 (22.6%)	9,960 (24.8%)
FY 11-12*	6,317 (51.4%)	2,782 (22.7%)	3,179 (25.9%)
Total	48,867 (53.7%)	19,982 (21.9%)	22,210 (24.4%)

* Percentages are shares of FY Totals as of 12/31/11
 ** Based on focus group and survey data, up to 45% of defaulters use this option as their active plan election choice to the pension plan

³⁸ State Board of Administration of Florida, *Monthly Performance Report to the Trustees*, 12/31/11, pg 13 (copy on file with Government Efficiency Task Force staff).

Change and Efficiency

Goal of the Florida Retirement System

The Florida Retirement System does not have an overriding goal in the Constitution or in statute. The Subcommittee provided several questions regarding the purpose of the FRS including:

- What is the state policy regarding the FRS?
- Is the purpose of the FRS for recruitment and retention of state and local employees?
- Is there a comparison between private and public retirement systems that provides a consistent balance between the two?

One articulation of the retirement system was that it was a three prong approach to retirement, where the FRS benefit served as one prong, with social security and personal savings serving as the other two prongs.³⁹

Recommendations:

The Subcommittee recommends defining a goal for the Florida Retirement System. The state does not currently have a defined goal for the retirement system. The Florida Statutes and Constitution provide requirements, but do not outline a set goal or purpose for the state.⁴⁰

The Subcommittee recommends that portability and transferability of retirement funds be placed as a priority. The DC plan currently offers portability for its members. Due to the changing nature of employment and the increasingly transient nature of employees, the state should place a priority on portability and transferability for all state employee retirement funds.

B. FUNDING

The pension plan is funded through a combination of employee and employer contributions and investment earnings. Since the retirement benefits are guaranteed by the state, there is the potential for the pension fund to have a shortfall if the investment earnings are below the projected returns for the long term, or if the actuarially-required contributions are not paid to the system by employees and/or employers.

The pension fund's funding ratio⁴¹ over the last twenty-five years has had a high of 118.1% and a low of 54.3%.⁴² A 100% funding ratio indicates that the pension fund is able to meet its liabilities as of the valuation date for current retirees and current members who retire. In 2009, the funding ratio was 88.5%, in 2010 it was 87.9%, and in 2011 it was 87.5%.⁴³ Experts generally consider public pension plans with funding ratios at or above 80% to be fiscally sound.⁴⁴ The economic downturn has shown that state pension funds are vulnerable to market downturns.

³⁹ As provided by Sarabeth Snuggs, Director of the Division of Retirement, at the meeting of the Subcommittee on General Government, May 2, 2012. This is not an official position of DMS, but a common articulation of various pension plans. Ms. Snuggs also noted that a fourth prong would also be any retirement benefits from other employers in the course of the FRS member's career. See <http://www.floridaefficiency.com/meetings.cfm> (last visited 5/8/12).

⁴⁰ The Subcommittee does not recommend a particular goal.

⁴¹ A funding ratio is a comparison of a pension's assets to its liabilities (current and future).

⁴² See State Board of Administration, *Pension Portfolio Overview as of 6/30/11*, pg. 2 (copy on file with Government Efficiency Task Force staff).

⁴³ *Id.* See also https://www.rol.frs.state.fl.us/forms/Asset_Liability_Chart.pdf (last visited 5/15/12). The funding ratio represents assets versus liabilities at a given point in time. The percentages were calculated as of June 30th of that year.

⁴⁴ U.S. Government Accountability Office (GAO), *State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs*, Report No. 07-1156 (11/07) (copy on file with Government Efficiency Task Force staff).

Change and Efficiency

Funding Ratio Assumptions

In calculating the funding ratios of pension funds, actuaries take several assumptions into consideration including: salary increases, inflation, and investment returns. Most states have an assumed return of around 8 percent.⁴⁵ The economic downturn has caused some to question if the assumed rate is too optimistic.⁴⁶ The board that oversees the California Public Employees' Retirement System (Calpers) reduced their assumed rate from 7.75% to 7.5%,⁴⁷ while the Illinois State Employees' Retirement System lowered their rate from 8.5% to 7.75%.⁴⁸ Florida has a return assumption of 7.75%.⁴⁹

The Pew Center report outlines the main debate regarding the assumed return rate:

At the heart of the debate surrounding the appropriate discount rate assumption is whether states should calculate the current value of these long-term promises using an expected rate of return. In other words, if investment returns are disappointing and do not meet expectations, states are still required to pay retirees the benefits they have earned.⁵⁰

The study provides that several experts have recommended a riskless rate instead.⁵¹ Two suggestions were the rate on 30-year treasury bonds⁵² or the investment return required by the Final Accounting Standards Board, which is based on corporate bond rates.⁵³

If Florida were to use a lower assumed rate of return, the funding ratio would be lower and additional contributions would be needed for the pension fund.⁵⁴ Based on the 2009 funding ratio, if the assumed rate were to be lowered to 5.22% the funding ratio would be 61% and if the rate was lowered to 4.38% the ratio would be 54%.⁵⁵

⁴⁵ The Pew Center on the States, *The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs*, April 2011, pg 8, <http://www.pewstates.org/research/reports/the-widening-gap-85899378209> (last visited 5/10/12).

⁴⁶ *Id.* Citing Warren Buffett Says That Pension Accounting Encourages Cheating, Bloomberg.com, July 17, 2009, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aCb9PTevRP3g&refer=news_index (last visited 5/10/12).

⁴⁷ *See Calpers Lowers Investment Target to 7.5%*, Wall Street Journal, March 15, 2012, <http://online.wsj.com/article/SB10001424052702304692804577281603950185684.html> (last visited 5/10/12).

⁴⁸ *See Illinois Employers Lowers Return Assumption*, Pension & Investments, November 1, 2010, <http://www.pionline.com/article/20101101/PRINTSUB/311019987> (last visited 5/10/12).

⁴⁹ This rate of return is assumed over 30 years, since the investment outlook for the pension fund is a long term 15-30 year horizon. The current return for the last 20 years is 7.78%; 15 years is 6.49%; 10 years is 5.19%; 5 years is 1.75%; and 1 year is 0.5%. Information provided by the State Board of Administration (copy on file with Government Efficiency Task Force staff).

⁵⁰ *The Pew Center on the States* at pg. 8.

⁵¹ *Id.*

⁵² *Id.* As of 5/10/12, the yield on a 30-year treasury bond was 3.08 (at the time of the Pew Study the yield was 4.38). *See* <http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/> (last visited 5/10/12).

⁵³ *Id.* As of 5/10/12, the yield on a AA Corporate bond was 3.95 (at the time of the Pew Study the yield was 5.22) *See* <http://www.bloomberg.com/quote/MOODCAA:IND> (last visited 5/10/12).

⁵⁴ The City of New York recently lowered the assumed rate of return from 8% to 7% on its pension fund, which will result in an additional \$1 billion in contributions to the fund. Moody's gave this action a positive credit outlook, providing that, "While pension costs in the budget will increase, the plan over the long run will lead to greater stability, since using the 7% rate will mitigate market volatility in actuarial calculations of the city's pension liabilities." *See Moody's Welcomes Lower Investment Return Assumptions by Public Pensions*, Market News International, February 13, 2012, <https://mninews.deutsche-boerse.com/index.php/moodys-welcomes-lower-invst-return-assump-public-pensions?q=content/moodys-welcomes-lower-invst-return-assump-public-pensions> (last visited 5/15/12).

⁵⁵ The ratio calculations are based on February 2009 pension figures released by the state and reflect the interest rate for a high end corporate bond (5.22%) and a 30 year US Treasury bond of 3/11. *See Can Investment Assumptions Worsen the State Pension Fund Crisis*, PBS News Hour, June 22, 2011, <http://www.pbs.org/newshour/rundown/2011/06/can-investment-assumptions-worsen-the-state-pension-fund-crisis-1.html> (last visited 5/15/12).

Recommendations:

The Subcommittee recommends reviewing the assumed long-term returns on the pension fund and the acceptable funding level. The current assumed return for the FRS pension fund is 7.75%. This assumed rate should be reviewed in context of past market performance to determine if this is an accurate assumption.⁵⁶ Various studies have indicated that a funding level of 80% is generally accepted as actuarially sound. As of June of 2011, the FRS pension fund has a funding level of 87.5%. The funding level has many assumptions built in, including an assumed rate of return, length of FRS membership, and vesting time of benefits. The funding level policy should be reviewed in the context of the potential issues surrounding retirement funds. The Subcommittee also recommends that employees continue to contribute a portion of their salary towards their retirement plan.

The Subcommittee recommends that a cap be placed on the average salary for calculating pension benefits. High-salaried employees are one of the drivers of increased funding liability for the pension fund.⁵⁷ The Internal Revenue Service (IRS) limits the amount of annual salary that may be applied towards retirement under a qualified plan.⁵⁸ Currently, the IRS limits the annual salary to \$245,000 for members hired on or after July 1, 1996, and \$363,820 for members hired prior to July 1, 1996.⁵⁹ The Subcommittee recommends a cap on salary applied towards retirement in line with the average salary of a head of state agency, which is \$140,000.⁶⁰

C. GOVERNMENT RETIREMENT SYSTEMS

There are three main categories of retirement systems utilized by states:

- **Defined Benefit (DB)** – The traditional public pension structure in which the state (employer) assumes the risk of return and guarantees the employee's payments. The size of the employee's pension is based on a pre-defined equation that includes the employee's duration of service and salary. DB plans use final or greatest salary averages to determine an employee's pensionable salary. As such, the greatest portion of employer liability is accumulated during the latter years of employment.
- **Defined Contribution (DC)** – Similar to the private sector's 401(k) plan. The employee and/or the employer pay a portion of wages into an individual retirement savings account that is invested per the employee's direction. The eventual retirement benefits are determined by the value of the account. Investment risk is borne entirely by the employee.

Cash Balance (CB) plans are also categorized as DC plans. These combine some elements of DB and DC in that the employer bears the risk of return, but the contributions are made into individual retirement accounts.

- **Hybrid Plans (HP)** – These combine DB and DC plans and can be parallel or stacked. Stacked HP plans offer DB benefits on a prescribed level of income (usually set at no more than the average salary) and enroll employees in an additional DC plan. Employee and employer contributions to the DC portion of the plan can be optional or mandatory. Parallel HPs give the employee the option to save for retirement with a DC plan.

⁵⁶ Staff of the State Board of Administration recently suggested reducing the target return by a half a percentage point. See <http://www.thefloridacurrent.com/article.cfm?id=27741971> (last visited 5/20/12).

⁵⁷ There are currently 2455 members who make over \$140,000 per year enrolled in the defined benefit plan and 361 members enrolled in the defined contribution plan. Information provided by DMS and on file with the Government Efficiency Task Force staff.

⁵⁸ Section 401(a)(17) of the Internal Revenue Code.

⁵⁹ *Id.* The amount is based on the original cap of \$150,000 for members employed on or after 7/1/96 and \$250,000 for members employed prior to 7/1/96 and is annually adjusted by the IRS to reflect cost-of-living increases. Salary caps from 1996 to 2011 are on file with the Government Efficiency Task Force staff.

⁶⁰ Based on salaries of the Secretary of Transportation, Lottery, Department of Business and Professional Regulation, and Department of Children and Families. Information provided by DMS.

Hybrid Retirement Plan

Four states, Georgia, Indiana, Oregon, and Rhode Island, all operate mandatory HPs. Three states, Ohio, Utah, and Washington, offer optional HPs. States have taken different approaches as to administering the different elements of the plans. Some administer the DB portion themselves but outsource the DC element, whereas others administer both elements. Generally, the employer makes the vast majority, or even all, of the contributions required for the DB portion of the plan, while the employee is required to make a specified contribution to the DC portion.

Advantages of hybrid retirement plans include:

- Provides a guaranteed benefit to the retiree;
- Provides some portability through a DC plan for salary above the average employee salary; and
- The benefit liability of the state is lessened since the salary level is capped.

Disadvantages of hybrid plans include:

- Higher earning employees will have a lower guaranteed benefit; and
- It may be more expensive to administer dual plans as compared to one plan.

Rhode Island Hybrid Plan

Rhode Island is the most recent state to switch to a hybrid retirement plan. Rhode Island was facing an unfunded pension liability of \$7.3 billion, which equated to a 48.4% funding ratio.⁶¹ In 2011, the state adopted a stacked hybrid plan that includes a smaller DB plan with a DC plan. The main difference between Rhode Island and other states is that Rhode Island has enrolled most current employees as well as new employees.

Rhode Island estimates that the switch to a hybrid plan will decrease the states unfunded pension liability to \$4.3 billion (approximately 41% decrease) and raise the funding ratio to 59.8%.⁶² The pension plan is projected to achieve 80% funding by 2030 for Rhode Island state employees.⁶³

Change and Efficiency

Types of Retirement Plans Offered

Florida currently offers a DB plan and a DC plan. The choice of plan is at the discretion of the member. Both plans have advantages and disadvantages for the FRS member and the FRS. The DB plan provides a guaranteed amount of retirement funds for the employee with a longer vesting period, but the FRS retains the liability for providing that amount regardless of market performance. The DC plan provides flexibility and portability for the members and there is no liability for the FRS, but the retirement amount is not guaranteed.⁶⁴ The hybrid retirement plan offers the benefits of both plans, while mitigating some of the disadvantages. In the hybrid plan, members receive a lower guaranteed benefit amount than a traditional DB plan, but are supplemented by a DC plan as well. The hybrid plan reduces FRS liability, but continues to provide a reliable source of retirement funds for members.⁶⁵

⁶¹ Ron Snell, *Lessons from Rhode Island: Bold Changes to its Pension Plan Have Caught the Attention of Other States*, National Council of State Legislatures (NCSL), February 2012, <http://www.ncsl.org/issues-research/labor/lessons-from-rhode-island.aspx> (last visited 5/15/12).

⁶² Paul Burton, "Rhode Island Makes Reform Happen," *The Bond Buyer*, December 14, 2011, http://www.bondbuyer.com/issues/120_239/rhode-island-pension-1034196-1.html (last visited 5/15/12).

⁶³ *Id.*

⁶⁴ The retirement funds are employee directed and may not have a market performance equal or greater than the state pension plan.

⁶⁵ There are various different models of the hybrid plan. The Subcommittee does not recommend a particular model. The state should utilize SBA and DMS staff and private sector advisors to determine the benefits of each model for the State of Florida.

Recommendation:

The Subcommittee recommends considering a hybrid retirement system. Various states have either adopted or are considering a hybrid retirement plan (incorporates both DB and DC plans). Florida should review the hybrid option as a method to reduce future unfunded liability, provide flexibility for employees, and ensure adequate guaranteed retirement funds for state employees.



Government Efficiency Task Force

Florida Retirement System (FRS) Recommendations

Subcommittee on General Government

Chair: Senator Pat Neal

Subcommittee: Senator Mike Bennett, Speaker Larry
Cretul, Ann W. Duncan, and Colonel Frances P. Rice

June 6, 2012



Florida Retirement System

- Founded in 1970
- Provides benefits to 643,680 active members, 319,689 retirees and beneficiaries, and 45,092 members in DROP
- Primary plan for employees of state and county government agencies, district school boards, community colleges and universities.
- Also serves as the plan for 185 cities and 243 special districts



Available FRS Plans

- The Florida Retirement System Pension Plan (defined benefit or DB plan)
- Florida Retirement System Investment Plan (defined contribution or DC plan)



FRS Pension Plan

- A member vests in the pension plan after six years of employment if initially enrolled before July 1, 2011, or after eight years if initially enrolled July 1, 2011, and after.
- The benefits payable are calculated based on the years of service times the accrual rate times the average final compensation.



FRS Investment Plan

- The plan is similar to private sector 401(k) plans
- Benefits under the investment plan accrue in individual member accounts funded by employee and employer contributions
- Employee directed investment by approved investment providers



Employee Participation

- At the time of initial employment, a member may choose to either participate in the pension plan or investment plan
- The default choice is the pension plan

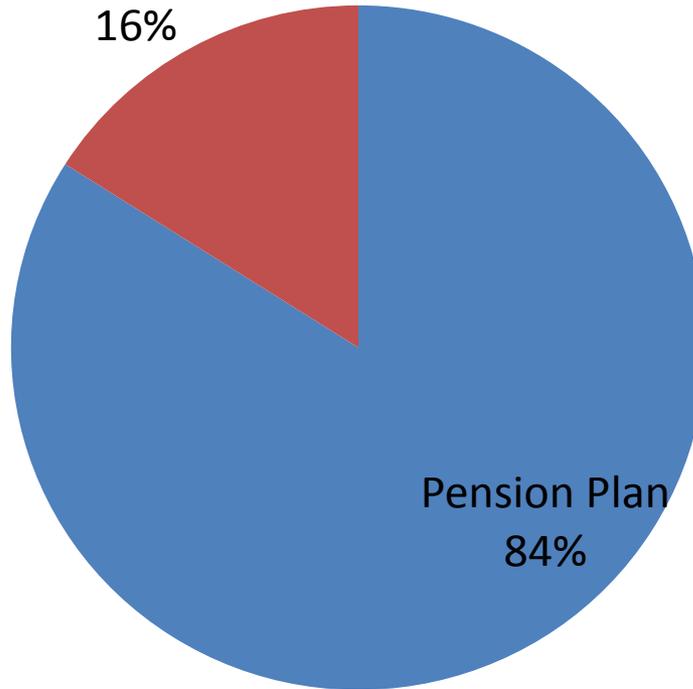


FRS Pension vs. Investment

Employee Participation

Investment Plan

16%



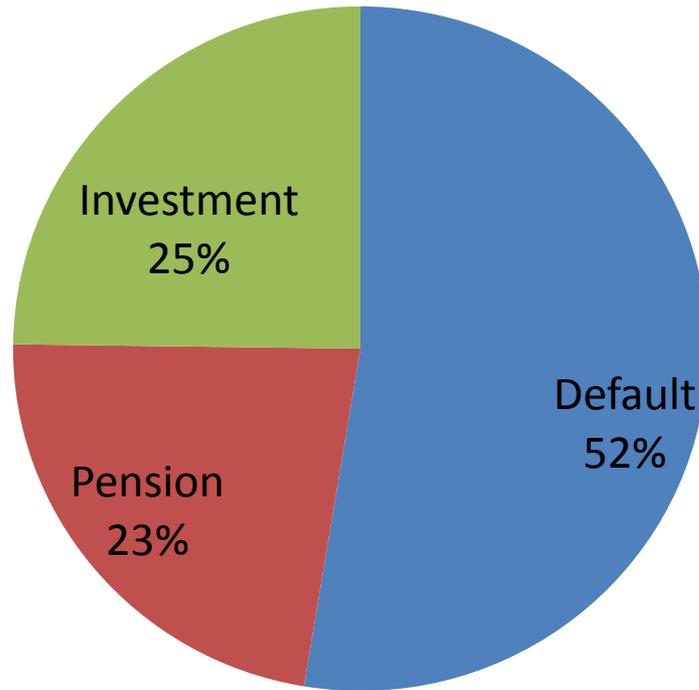
Pension Plan

84%



Initial FRS Plan Choice

FY 2010-11





Change & Efficiency

- The Florida Retirement System does not have an overriding goal in the Constitution or in statute.
- The Subcommittee had several questions...



Recommendations

- **The Subcommittee recommends defining a goal for the Florida Retirement System.**
- **The Subcommittee recommends that portability and transferability of retirement funds be placed as a priority.**



Pension Funding

- The pension plan is funded through a combination of employee and employer contributions and investment earnings.
- A 100% funding ratio indicates that the pension fund is able to meet its liabilities as of the valuation date for current retirees and current members who retire.



Florida Funding Ratio

- Over the last twenty-five years Florida has had a high of 118.1% and a low of 54.3%
- In 2009, the funding ratio was 88.5%,
- In 2010 it was 87.9%, and
- In 2011 it was 87.5%
- The economic downturn has shown that state pension funds are vulnerable to market downturns



Funding Ratio Assumptions

- In calculating the funding ratios of pension funds, actuaries take several assumptions into consideration including:
- Salary increases, inflation, and investment returns
- The economic downturn has caused some to question if the assumed rate is too optimistic



Investment Return Assumptions

- Most states have an assumed return of around 8 percent.
- Florida has a return assumption of 7.75%.
- Argument is “whether states should calculate the current value of these long-term promises using an expected rate of return”



Investment Return Assumptions

- Experts have recommended a riskless rate instead
- Example of effect of using a riskless rate:
- Using 2009 funding ratio:
- 5.22% = funding ratio of 61%
- 4.38% = funding ratio of 54%



Recommendations

- **The Subcommittee recommends reviewing the assumed long-term returns on the pension fund and the acceptable funding level**
- **The Subcommittee recommends that a cap be placed on the average salary for calculating pension benefits**



FRS Plan Types

- **Defined Benefit (DB)**
- **Defined Contribution (DC)**
- **Hybrid Plans (HP)**
 - Combine elements of DB and DC plans
 - Four states, Georgia, Indiana, Oregon, and Rhode Island, all operate mandatory HPs.



Advantages of Hybrid Plan

- Members receive a lower guaranteed benefit amount than a traditional DB plan, but are supplemented by a DC plan as well
- Reduces FRS liability
- Allows for portability of the DC portion



Recommendation

- **The Subcommittee recommends considering a hybrid retirement system**



Florida Government Efficiency Task Force

Subcommittee on General Government

Recommendation Analysis

Subject Matter: Division of Real Estate Development and Management

Subcommittee Members: Pat Neal (Chair), Senator Mike Bennett, Larry Cretul, Ann Duncan, and Frances Rice

RECOMMENDATION SUMMARY

- **State Construction:**

The Subcommittee recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings. Currently, the Division of Real Estate and Management only manages building construction projects in DMS facilities or those projects designated as DMS managed when appropriated to agencies. Additionally, building construction staff is located in multiple agencies, there are inconsistencies in contracting, and economies of scale are not leveraged through bundling of similar projects. All agencies involved in building construction should operate a shared services model directed through DMS, allowing for uniform standards, best practices, rules, and procedures for state construction. The state should institute an automatic review process for all state construction projects with a projected cost over a certain threshold. The state should also focus on function, in addition to form, in the design and renovation of state buildings.

- **State Leasing:**

The Subcommittee recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs. DMS should continue its efforts to renegotiate leases statewide. DMS should propose legislation that will increase its authority in leasing decisions, save time in processing, and reduce the burden on private sector landlords. DMS should continue to work with other agencies and with local governments to maximize space utilization.

- **State Building Emergency Management:**

The Subcommittee recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster. The state does not currently have a contracted service for management of state facilities in the case of a natural disaster (i.e. hurricanes). In order to ensure the continued functioning of state facilities, the state should address proper disaster preparedness.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND AND RECOMMENDATION(S)

A. DEPARTMENT OF MANAGEMENT SERVICES:

The Division of Real Estate Development and Management

The Division of Real Estate Development and Management (REDM) is a division of the Department of Management Services (DMS).¹ REDM manages the Florida Facilities Pool (Pool),² administers public and private leasing for state agencies, and coordinates parking activities statewide. REDM manages construction projects for other agencies and serves as the state's lead real estate development consultant on state-administered construction projects.

As of July 1, 2011, there are 104 facilities in the DMS REDM-managed Pool.³ By total, the facilities in the Pool represent less than one percent of the more than 20,000 facilities the state owns and manages.⁴ REDM is responsible for a diverse set of resources within the Pool, ranging from the Capitol and Historic Capitol to the high-performance Department of Revenue complex in Tallahassee and the Department of Law Enforcement laboratory in Orlando.

Of these 104 Pool facilities, 69 are revenue-producing (available to lease).⁵ The remaining 35 facilities in the Pool are special purpose properties such as the Historic Capitol, parking garages, and other structures that are not available for lease. As of July 1, 2011, DMS has 203 leases with state agencies in the 69 revenue-producing buildings.⁶ In addition, as of July 1, 2011 agencies have entered into 971 leases with private landlords or federal and local government entities.⁷

Construction Management Oversight

Licensed professional staff within the Bureau of Building Construction provides project management oversight of public construction projects to help maintain the integrity of outsourced contracts with private providers.⁸ In a process that often involves substantial tax dollars,⁹ this oversight protects the public trust by ensuring that project managers spend taxpayer funds in accordance with legislative intent. REDM works with each customer to ensure the building meets the customer's business needs within the legislatively appropriated budget.

¹ REDM has statutory authority pursuant to Chapters 215, 216, 255, 272, 281, 287, 288 and 489, F.S. The Division has 298.5 positions with an operating budget of \$59.5 million and fixed capital outlay of \$46.5 million. For more information see http://www.dms.myflorida.com/business_operations/real_estate_development_management (last visited 5/29/12).

² See s. 255.506, F.S.

³ Information provided by the Division of Real Estate Development and Management (REDM) (copy on file with Government Efficiency Task Force staff).

⁴ Information provided by REDM (copy on file with Government Efficiency Task Force staff).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ See s. 255.31, F.S.

⁹ There are currently 169 active projects with a budget of \$58,261,977. See http://oas.state.fl.us/reports/rwservlet?proj_no (last visited 5/29/12).

Change and Efficiency

Shared Service Model

Currently, the Division of Real Estate and Management only manages building construction projects in DMS facilities or those projects designated as DMS managed when appropriated to agencies. Additionally, building construction staff¹⁰ is located in multiple agencies,¹¹ there are inconsistencies in contracting, and economies of scale are not leveraged through bundling of similar projects.

Recommendation:

The Subcommittee recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings. All agencies involved in building construction should operate a shared services model directed through DMS, allowing for uniform standards, best practices, rules, and procedures for state construction. The state should institute an automatic review process for all state construction projects with a projected cost over a certain threshold. The state should also focus on function, in addition to form, in the design and renovation of state buildings. The shared service model allows for cross agency utilization of design and construction staff, which will reduce costs and allow for accountability.

Leasing Management and Parking

REDM is the landlord for tenant agencies that occupy the 69 revenue-producing Pool facilities. Under the state's partially decentralized leasing model, Bureau of Leasing staff oversees agency acquisition of private leased space, in concert with the state's three contracted tenant brokers, with the goal to ensure effective use of taxpayer dollars.

- Bureau of Leasing staff members oversee 1,174 leases (203 Pool leases and 971 private leases), accounting for more than 13.9 million square feet of space that houses the majority of the more than 120,000 State of Florida employees.¹²
- Held at \$17.18 per square foot for the last five years, the Pool rental rate is consistently below the market rate statewide.¹³
- DMS currently maintains a 96 percent occupancy rate for the Florida Facilities Pool.
- REDM provides parking for more than 29,000 users in 92 parking lots and garages statewide.

REDM has several leasing initiatives including:

- Implementing strategy spelled out in the 2011 Strategic Leasing Plan and Master Leasing Report to reduce the state's lease costs;¹⁴ and
- Coordinating with agencies to reduce lease costs by 20 percent over Fiscal Years 2011-12 and 2012-13.

¹⁰ This includes architects, engineers, project managers, construction managers, construction management support staff/contract management, and building permitting staff for construction projects.

¹¹ These agencies include the Department of Health (DOH), Department of Children and Families (DCF), Department of Corrections (DOC), Department of Environmental Protection (DEP), Department of Highway Safety and Motor Vehicles (HSMV), and Department of Transportation (DOT).

¹² Information provided by REDM (copy on file with Government Efficiency Task Force staff).

¹³ The pool rental rate is established in the General Appropriations Act (GAA) each year. DMS annually submits a budget in accordance with s. 255.511, F.S. The rate accounts for the following factors: annual debt service, capital depreciation reserve deposits, tenant space improvement funding, Capitol Police, and expenditures related to the operation and maintenance of each facility in the pool.

¹⁴ For a copy of the Lease Renegotiation Status Report please see:

http://www.dms.myflorida.com/business_operations/real_estate_development_management/facilities_management/lease_management (last visited 5/29/12).

Lease Cost Savings

Governor Rick Scott directed DMS to secure a 20 percent reduction in lease cost savings over fiscal years 2011-12 and 2012-13, which equates to \$24.2 million. DMS has coordinated with state agencies and the state's tenant brokers to renegotiate lease contracts for private office space in excess of 2,000 square feet. To date, renegotiations since July 1, 2011, will result in a reduction of lease costs of more than \$15 million and a net reduction of the state's leased portfolio by more than 350,000 square feet. DMS has projected that it will exceed the Governor's expectations and timeline.

Recommendation:

The Subcommittee recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs. DMS should continue its efforts to renegotiate leases statewide. DMS should propose legislation that will increase its authority in leasing decisions, save time in processing, and reduce the burden on private sector landlords. DMS should continue to work with other agencies and with local governments to maximize space utilization.

Facility Management

REDM operates and maintains more than 12.1 million gross square feet of space in Pool facilities, including adjacent grounds and parking facilities.¹⁵ Building oversight tasks include, but are not limited to: building supervision, engineering and technical support, energy management, electrical, heating, ventilation and air conditioning, renovation services, central maintenance, parking, grounds keeping, fire and life safety, Americans with Disabilities Act compliance, and environmental and custodial services.

Emergency Services

The state does not currently have a contracted service for emergency management of state facilities in the case of a natural disaster. With the many state owned and managed facilities it is necessary to have a contracted service to provide for the management of state properties.

Recommendation:

The Subcommittee recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster. The state does not currently have a contracted service for management of state facilities in the case of a natural disaster (i.e. hurricanes). In order to ensure the continued functioning of state facilities, the state should address proper disaster preparedness.

¹⁵ For more information on DMS managed facilities please see:

http://www.dms.myflorida.com/business_operations/real_estate_development_management/facilities_management/building_information (last visited 5/29/12).



Government Efficiency Task Force

Division of Real Estate Development and Management Recommendations

Subcommittee on General Government

Chair: Pat Neal

Subcommittee: Senator Mike Bennett, Speaker Larry
Cretul, Ann W. Duncan, and Colonel Frances P. Rice

June 6th, 2012



Government Efficiency Task Force

The Division of Real Estate Development and Management

- The Division of Real Estate Development and Management is a division of the Department of Management Services.
- The Division manages the Florida Facilities Pool, administers public and private leasing for state agencies, coordinates parking activities statewide, manages construction projects for other agencies, and serves as the state's lead real estate development consultant on state-administered construction projects.



Construction Management Oversight

- Staff within the Bureau of Building Construction provides project management oversight of public construction projects to help maintain the integrity of outsourced contracts with private providers.



Construction Management

- The Division of Real Estate and Management only manages building construction projects in DMS facilities or those projects designated as DMS managed when appropriated to agencies.
- Building construction staff is located in multiple agencies, there are inconsistencies in contracting, and economies of scale are not leveraged through bundling of similar projects.



Recommendation

- **The Subcommittee recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings.**



Lease Management

- The Division is the landlord for tenant agencies that occupy the 69 revenue-producing Pool facilities.
- Bureau of Leasing staff members oversee 1,174 leases (203 Pool leases and 971 private leases), accounting for more than 13.9 million square feet of space that houses the majority of the more than 120,000 State of Florida employees.



Lease Cost Savings

- Governor Rick Scott directed DMS to secure a 20 percent reduction in lease cost savings over fiscal years 2011-12 and 2012-13, which equates to \$24.2 million.
- Renegotiations since July 1, 2011, will result in a reduction of lease costs of more than \$15 million and a net reduction of the state's leased portfolio by more than 350,000 square feet.



Recommendation

- **The Subcommittee recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs.**



Emergency Services

- The state does not currently have a contracted service for emergency management of state facilities in the case of a natural disaster. With the many state owned and managed facilities it is necessary to have a contracted service to provide for the management of state properties.



Recommendation

- **The Subcommittee recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster.**