GOVERNOR'S COMMISSION ON MANAGEMENT, ACCOUNTABILITY AND PERFORMANCE

To the Governor, General Assembly, and Citizens of South Carolina:

On behalf of my colleagues on the Governor's Commission on Management, Accountability and Performance, it is my pleasure and honor to present you with our final report. Before going into some of the points included in the report, I would like to express my thanks to all of the commissioners and the hundreds of volunteers who gave so tirelessly to this effort. The report's depth and comprehensiveness reflect their dedication to ensuring that all South Carolinians can achieve their maximum potential.

Our mission was to examine South Carolina's government and suggest proven ways to provide services in a more business-like fashion. Governor Sanford directed us to look under the hood, check out the moving parts, and "come back with a plan for putting the engine back together so it runs smoother and more efficiently." The MAP Commission has tackled this massive assignment. We offer a blueprint for a system that is less costly, more efficient, more consumer-oriented, and, most importantly, produces better results for our fellow South Carolinians.

When we began our work in June 2003, I don't believe we were prepared for what we would find. This has been a sobering look at our beloved Palmetto State. Naturally, we found bright spots as well as areas of concern. On the positive side, the state has a corps of state employees who are capable and dedicated public servants. Yet, the bad news is that despite the heroic efforts of hard-working state employees, the citizens are poorly served by a system we found to be in an unbelieveable condition.

That condition can be described in dire terms: grossly fragmented and inefficient. Laden with layers of duplication. Byzantine in the delivery of certain services. Multiple information technology and communication systems that do not interface. Financial systems and operating procedures that make no sense in a state that can ill afford to throw money away.

And, sadly, constituent service is frequently stifled by complicated, arcane and redundant procedures. It is often difficult for citizens to access the services they so badly need - and have paid for. For example, we found over 70 separate accounting systems that cannot share financial information between key agencies. We found over 8,000 buildings, comprising 60 million square feet of space, with no central authority to make management decisions. We found an agency paying over $2,000 per month in cab fares to transport a constituent to a minimum wage job.

In these harsh economic times, we cannot ignore these egregious examples of fiscal irresponsibility. As a state, we must act now to rectify these wrongs. If fully adopted, the recommendations in this report are estimated to afford first-year savings of over $225 million and recurring savings of over $300 million annually thereafter. But, make no mistake about it – there is no easy fix. This will be a long and sometimes painful process. Bold and courageous leadership is needed.

We have tried to highlight critical areas that we believe need to be addressed most urgently. We have made specific recommendations designed to at least begin to remedy these maladies. If South Carolina is to have future success, these steps must begin now.

Let me be very clear about one point. Our task was not to place blame or find fault. There is no time for finger pointing. If South Carolina is to chart a new course toward prosperity and growth, things must change. We must unite and move forward with a positive and hopeful vision on a new path.

We believe the leaders of our state can come together with a common and unwavering sense of commitment and purpose. We must set in motion a revolution of ideas and actions that together can make state government better organized and better equipped to execute its responsibilities. Our taxpayers and citizens deserve nothing less. If we are to raise the bar for our state government, we must:

- **Reduce costs,**
- **Increase accountability,**
- **Eliminate duplication of effort,**
- **Improve the effectiveness of programs and services,**
- **Focus on outcomes and results, and**
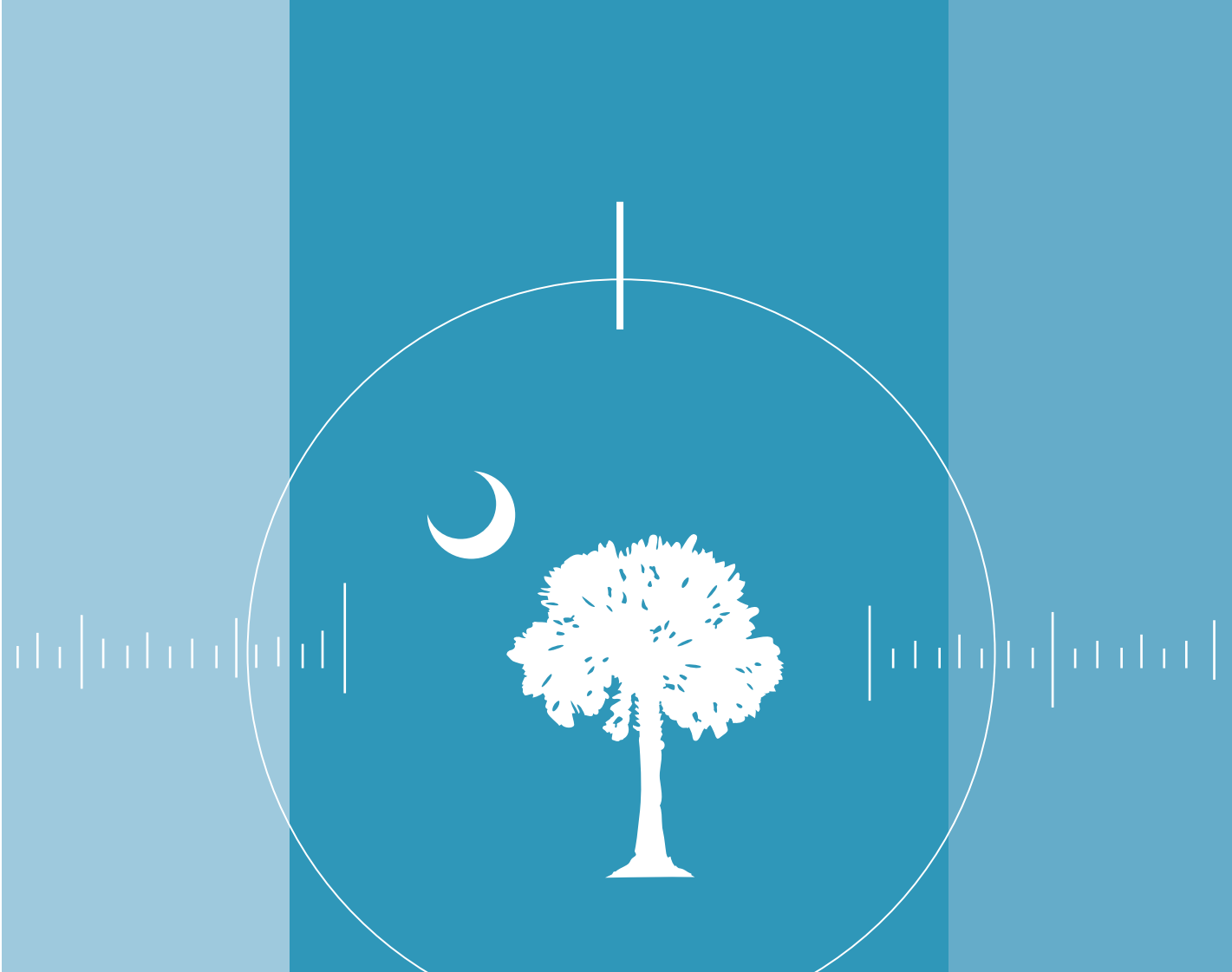- **Meet the needs of our consumers.**

Due to time constraints, the MAP Commission was unable to review all areas of state government in the exhaustive detail we would have liked. We did, however, make great strides in covering an enormous amount of territory.

South Carolina has great untapped potential. We cannot turn away from making the hard decisions to unlock that potential. While implementing change may be an extremely difficult process, the members of the Commission speak with one voice in urging our state leaders to take the steps necessary to do so. We hope our findings and recommendations will help unify our business, community and political leaders in an effort to improve the quality of life for all South Carolinians.

Sincerely,

Ken Wingate, *Chairman*
September 30, 2003

Commission Membership

Stephen Deller

Comptroller General
Richard Eckstrom

Jennie Johnson

Floyd Keels

William Webster

Left to right: John Lumpkin, Carl Falk, Barbara Rackes, Stewart Rodman, Ken Wingate, Lt. Gov. André Bauer, Eddie Robinson, Harry Miller, John Pettigrew.

MEMBERS OF THE GOVERNOR'S COMMISSION ON MANAGEMENT, ACCOUNTABILITY AND PERFORMANCE

Kenneth B. Wingate (Chairman)
Managing partner of Sweeny, Wingate & Barrow, P.A., in Columbia.

Stephen G. Deller
Former Manager of Human Resources for Westinghouse Nuclear Fuel Division in Columbia.

Carl O. Falk
President of Falk-Griffin Foundation in Pawleys Island. Former founder and president of Global Trading Web and senior vice president of Commerce One.

Jennie M. Johnson
President of JMJ Partners, LLC, in Greenville. Former president of Liberty Insurance Services Corporation and Pierce National Life Insurance Company.

Floyd L. Keels
President and chief executive officer of Santee Electric Cooperative, Inc., in Kingstree.

John H. Lumpkin, Jr.
President and chief executive officer of Edens & Avant Real Estate Services, LLC, in Columbia.

Harry M. Miller, Jr.
Executive vice president of planning and development. Director of Comporium Group in Rock Hill.

John W. Pettigrew, Jr.
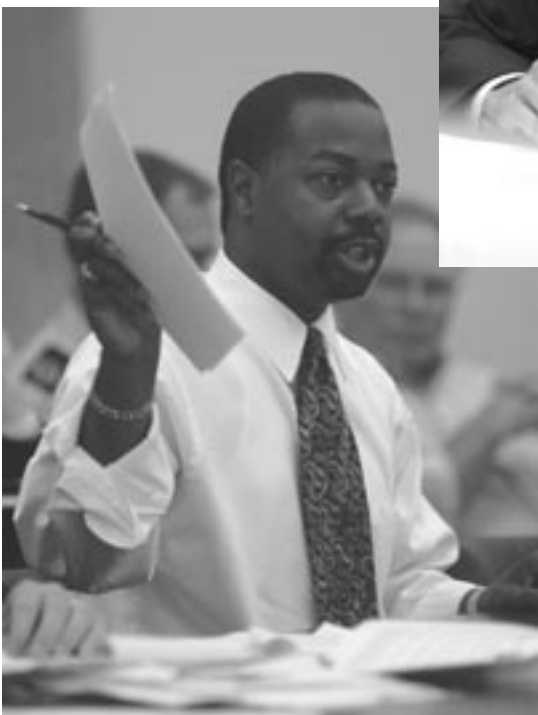*Manager of Pendarvis Chevy/Olds in Edgefield. Former Mayor of Edgefield and former member of State Development Board.*

Barbara Rackes
Founder and managing member of The Rackes Group in Columbia.

Dr. Eddie M. Robinson
President of Midlands Veterinary Practice in Irmo. President of USC's Small Business Development Center Advisory Board and president of Clemson University Alumni National Council.

Stewart H. Rodman
Former principal of Ambac International, Ltd., and chief executive officer of five subsidiary investment companies. Former operations director of United Technologies Corp. Diesel Systems, operations director of Fruehauf, senior consultant at Touche Ross, and manager at Ford Motor Company. Resides on Hilton Head Island.

William M. Webster, IV
Co-founder and chief executive officer of Advance America in Spartanburg.

Ex officio Members: **Lieutenant Governor André Bauer**
                           Comptroller General Richard Eckstrom

Contents

Executive Summary

EXECUTIVE SUMMARY

WHERE ARE WE?

Before casually suggesting major changes in the way state government operates, the commission looked closely at where South Carolina stands. Certain vital statistics are important to understanding a state and its government. Some statistics are straightforward and unoffending. For example, South Carolina's population is currently 4,107,000 and ranks 25th among the states. The percentage of growth in population from 2000 to 2002 was +2.1%. Its current population of individuals under 18 years old is 25.2%, and its 65 and older segment is 12.1%, both ranking around 30th among the states.

But some vital statistics are troublesome. For instance, the infant mortality rate in South Carolina is at 8.7 per 1,000 births and this ranks our state 6th among all states. Violent crime per 100,000 population is at a rate of 720 annually and places South Carolina 5th highest in the nation. The unemployment rate, though changing constantly, is approximately 5.4% and gives the state 8th place in state rankings. The percentage of residents living below poverty level is 14.1% and ranks South Carolina 13th among states. Finally, traffic fatalities are high, comparatively speaking. Traffic fatalities are 2.3 per 100 million vehicle miles placing South Carolina 3rd among the 50 states.

This picture of South Carolina is unacceptable. The MAP Commission believes we must work diligently to address the underlying problems suggested by these statistics. Our state leaders must concentrate our plentiful human resources and energies on improving the health, safety and quality of life for all South Carolinians. Thus, the question, "Why reform state government?" Vital statistics, we feel, give us cause to pursue serious change.

PREVIOUS STUDIES

Dozens of previous studies have been conducted and have resulted in recommended changes to the way South Carolina's government is organized and operates. These studies have documented serious and systemic problems with state government, yet they largely have gone unheeded. Many of the recommendations found in this report echo suggestions by the Legislative Audit Council, the KPMG Performance Audit Review, the Commission on Government Restructuring, and other special study committees during prior administrations.

In the past 80-odd years, for example, the State of South Carolina has conducted 14 major reorganization studies. These studies have consistently found that state government in South Carolina has too many governmental units, making it fragmented, unwieldy, and

unaccountable. These reorganization studies have argued — unsurprisingly — for fewer state agencies and departments, increased coordination, better management systems, and an improved "chain of command" with clearer lines of authority and responsibility. Prior to 1993, there were some 145 autonomous state entities. Today, there remain roughly 55 independent agencies, boards and commissions, besides the 13 cabinet agencies, other divisions, and a "long ballot" of nine statewide constitutional officers.

The MAP Commission believes that these previous studies and recommendations by internal and external groups alike are a succession of evidence — confirmation, if you like — for undertaking substantial reform. The commission feels strongly that it is time to restructure key support functions and to realign programs and services to eliminate duplication of effort, inefficiencies and poor service quality. The MAP Commission's study and all previous studies confirm that state government is, in many senses, broken, and is in need of repair. The members of MAP believe this comprehensive report adds one more compelling reason to rethink and reinvent state government in the Palmetto State.

THE FINANCIAL CRISIS

The MAP Commission clearly recognizes the dire financial crisis of state governments across the nation.

In the biannual report recently published by the National Governors Association and the National Association of Budget Officers, entitled The Fiscal Survey of the States, it finds that even with a substantial reduction in state spending, 37 states were obliged to reduce their budgets by more than $12.8 billion in FY 2002. In FY 2003, state budgets were reduced roughly an additional $9 billion.

In South Carolina the budget situation has worsened since May 2001. At that time, a 1% ($48 million) across-the-board reduction was ordered. In July 2001, budgets for FY 2002 were slashed another $176.5 million. Then a 4% cut ($204 million) took place in October 2001, and another 2.52% ($121.7 million) midyear cut occurred in March 2002.

FY 2003 began with a budget reduction of $144.7 million. In December 2002, an additional 5% cut ($246.6 million) was followed by a $120 million decrease in January 2003.

As of today the situation does not look promising. Speculation is that an extra $100 million reduction, sometime this fall, could impact the state's current budget for FY 2004.

The MAP Commission believes that this deepening financial crisis clearly precipitates a need to reform state government. With shrinking revenues, and unfavorable economic times in all probability ahead, state government needs to be seriously overhauled in order to maximize efficiency and worker productivity.

EXTERNAL FORCES

National and international developments in the past decade significantly altered the responsibilities of state government. These include, but are not limited to, the war on terrorism, globalization and federal devolution.

Terrorism. In the short-term, states are certainly at risk of terrorism. States will find it necessary to undertake counter-terrorism steps. This will include mainly securing utilities, public buildings, etc. against terrorist strikes. It will also require attention to protecting IT applications and software.

In the long-term, whether these trends pose an increasing threat to South Carolina depends on a number of variables, including changes in international and domestic political currents, how the public and media react to terrorism, how governments deal with terrorism, and whether the terrorists themselves discontinue or change strategies and tactics.

MAP feels confident that state government priorities in South Carolina must be reassessed in light of potential security threats. Strengthening law enforcement and public safety functions such as inter-agency communication will aid in the war against terrorism.

Globalization. People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. South Carolina has lost a great deal of its textile industry, for example, to overseas markets. This phenomenon has been titled "globalization." This globalization requires that government compete with neighboring states and with countries throughout the world for markets and commerce.

The MAP Commission recognizes the impact of globalization and believes that this is a motivating factor for upgrading our Information Technology and e-commerce capabilities.

Federal Devolution. Devolution is the transference of rights, powers or responsibilities to another, especially from a central government to local authorities. The past two decades have had profound implications for state government in South Carolina. The loss of substantial federal funding has been particularly pronounced. MAP believes this trend will continue and that state government will be required to do more for less.

THE MAP PROCESS: A PRIVATE/PUBLIC PARTNERSHIP

COMMISSIONERS
- A bi-partisan body created by executive order
- 12 individuals from private sector, 2 constitutional officers

TASK FORCE VOLUNTEERS
- 10 Task Forces
- Over 300 volunteers from private sector, state employees and legislators

STAFF SUPPORT
- Over 30 staff and consultants supported this effort

PUBLIC HEARINGS
- 7 Hearings around the state

CITIZEN SURVEY
- Input received from 3,071 citizens

EMPLOYEE SURVEY
- Suggestions received from 12,391 state employees

PUBLIC POLL
- Opinions solicited from 500 randomly-selected citizens

FOCUS GROUPS
- Focused discussions with citizens and state employees

AGENCY INTERVIEWS
- Input solicited from directors of all state agencies
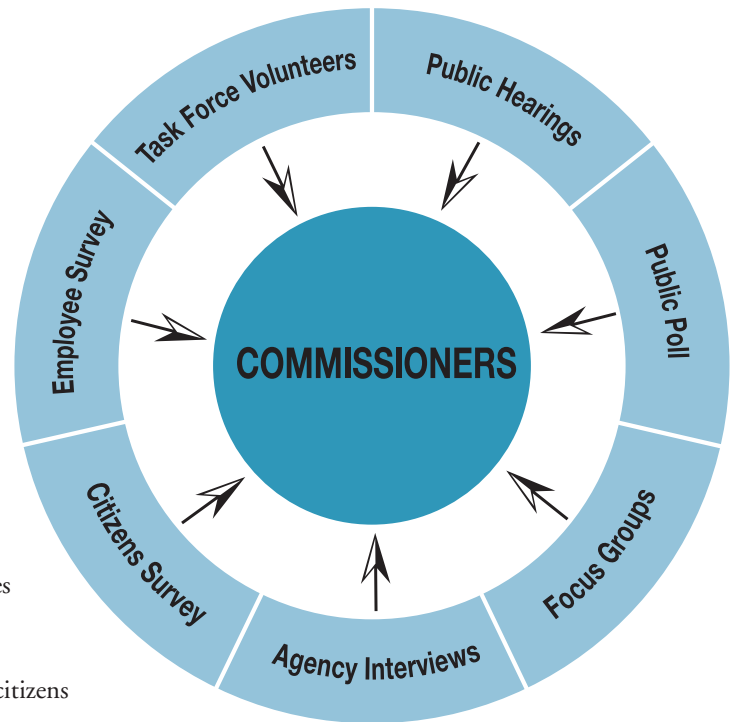
MAKING GOVERNMENT WORK

South Carolinians want services, but they want them to be priority driven. And they want a government that is managed efficiently and effectively. In focus groups, in response to surveys and in public hearings, the people of South Carolina clearly stated that they are ready for change. In their words:

> *Continue to strive to consolidate duplicated services by several agencies into one cohesive unit. I think this would help citizens who need help but don't know where to start to receive services they may need.*

"State government needs to be more accessible to the everyday citizen. When a citizen needs to use services provided by the state, they should have an easy, clear way to determine how to do it, without having to jump through multiple hoops."

"I experienced what I came to call the Kremlin culture ...... We've heard about collaboration, cooperation and cross-agency communication ad-nauseum. Let's have strong leadership to make that a reality...."

To accomplish these goals, an improved government structure would be one that:

- **Provides for strict accountability (establishes clear lines of authority);**
- **Employs functional organization and management practices that eliminate wasteful spending (integrates functions into a smaller number of units);**
- **Identifies goals and objectives that solve real and identifiable problems;**
- **Measures the progress and costs of governmental activities, and based on these measurements, makes corrective actions as appropriate to maximize results;**
- **Makes use of technologies that aid in the resourceful and proficient delivery of services;**
- **Recruits and maintains competent personnel;**
- **Provides for citizen participation; and**
- **Emphasizes customer service and responsiveness.**

Currently our state is comprised of some 55 independent agencies and 13 cabinet agencies within the executive or administrative arm of state government. These agencies fall inside several broad functional categories which include public and special education, higher education, health and human services, natural resources, regulatory functions and central administration.

For example, public and special education consists of several autonomous agencies in addition to the Department of Education. These agencies include the Wil Lou Gray Opportunity School, the School for the Deaf and Blind, and the John de la Howe School, in addition to the Educational Television Commission. Total funds for these schools in FY 2003 were $61,763,485 and total authorized full-time employees (FTEs) were 983.

Of even greater consequence, the health and human services area includes five major independent agencies with a staggering FY 2003 total budget of $1,385,482,694 and 16,401 total FTEs. These include Vocational Rehabilitation ($105,082,614 and 1,240 FTEs), the Department of Health and Environmental Control ($495,680,199 and

5,601 FTEs), the Department of Mental Health ($344,935,818 and 6,377 FTEs), the Department of Disabilities and Special Needs ($429,232,394 and 3,027 FTEs), and the Commission for the Blind ($10,551,669 and 156 FTEs).

Finally, the Budget and Control Board consists of eight divisions and 32 "offices" or units. Its functions include facilities management, procurement, transportation, retirement benefits, human resources, insurance services, budget management, research and statistics, information technology, audit and numerous others. It is headed up by an executive director and includes a chief of staff, board secretary, and general counsel. All total, the budget for the board is $240,214,752 and 1,279 FTE's.

SUMMARY OF RECOMMENDATIONS

In tackling the massive assignment to review state government, the MAP Commission decided first to look at the major support functions undergirding the work of each state agency. In other words, every agency has certain basic functions in common. Each has facilities, employees, information technology systems and vehicles; it operates on a budget; it serves a set of constituents. Seven of the ten MAP committees, therefore, focused primarily on specific functions that cut across all agencies of state government.

Another of the committees, Organizational Structure, examined the overall organizational chart for state government, including the executive branch and the many agencies, boards and commissions, to look for logical ways to streamline the structure. To measure the degree of satisfaction or dissatisfaction with state government, the Customer Satisfaction Committee focused its efforts on probing the opinions of citizens and state employees. Finally, one committee undertook an intensive operational review of one particular agency, the Department of Social Services, with an eye toward restructuring the internal organization to improve both efficiency and effectiveness.

In Organizational Structure, the commission finds that the state agencies operate as a collection of independent fiefdoms, and not as a cohesive whole. The commission therefore establishes clearer lines of authority and accountability by clustering agencies by major functions under a single cabinet secretary in order to eliminate costly overlaps and the unnecessary duplication of efforts. Clustered agencies remain as separate agencies and are not merged, but have their administrative functions consolidated to help assure that significant cost savings are realized. At the same time, the commission believes the constituents will experience a higher quality of service. The commission also recommends reducing the number of constitutional officers at least from nine to six — with the superintendent of education and the adjutant general being appointed by the governor with the advice and consent of the Senate, while the secretary of state's office would be consolidated into the Department of Revenue.

In **Budgeting, Finance and Accounting**, the commission focused on what it believed to be a number of critical issues pertaining to the financial management of state government. The state has already seen warning signs that many of its core systems are financially at risk, and the budget crisis has worsened in each of the last three years. The commission makes recommendations to alter the way we forecast revenues and use projections in the budget-writing process. We also recommend an increase in the Capital Reserve Fund from 2% to 3%, implementation of a statewide capital budgeting process and implementation of a performance-based budget system.

In **Human Resources**, the commission finds that human capital is the major resource in state government. The lack of a unified system that guides each agency's management toward the common goal of achieving excellence contributes to fragmentation and costly duplication of effort. There is insufficient emphasis on agency accountability; recruitment, retention and training of employee talent; human resources technology; the appropriate use of retirement; and the Teacher and Employee Retention Incentive (TERI) program. Therefore, there is a need for a central authority to hold agency management accountable in the consistent application of human resources policies.

Finally, retirement eligibility of more than 30% of the state's work force in the next five years poses a serious threat to the adequacy of our work force and elevates the need for agencies to properly apply recruitment, retention and training tools. The TERI program should be repealed prospectively and the South Carolina Retirement Systems (SCRS) statutes amended to conform to recent amendments to the Police Officer's Retirement Systems (PORS) statutes. This would result in a reduction in unfunded liabilities of $650 million and the amortization period from 24 years to 17 years.

In assessing **Information Technology**, the commission determined that technology must support the business objectives of state government, not drive them. Although technology can be an enabler to increase the value of the services government provides, technology must follow the customer-driven requirements identified by the agencies in providing services to their customers. Our goals included removing redundant systems, aggregating hardware and software purchases and reducing the labor-intensive work of managing the government's technology infrastructure. Today, the state's information technology is planned and procured in a highly decentralized manner. Over time, agencies have become more and more independent of any central IT organization. As they designed and built their own networks and data centers, they also hired their own IT staffs to manage and maintain these systems. This not only wastes millions of taxpayer dollars each year, but also leaves government IT systems potentially more vulnerable to security breaches. There are a number of specific recommendations to reverse this dangerous trend.

The **Transportation Committee** found that through cooperation of the various state agencies, State Fleet Management can manage the state's fleet of cars, light trucks and other vehicles up to one-ton capacity. The cooperation will also allow for the consolidation of some maintenance facilities. The formation of a Transportation Services Management Office will allow for coordination of transportation activities, including Human Services

Transportation, School Bus Transportation, and Aeronautics Operations. These changes, as the South Carolina Department of Transportation continues to work to improve the transportation infrastructure, will result not only in a savings of tax dollars, but also make for more efficient use of those dollars.

In reviewing Facilities and Capital Asset Management, the commission determined that the most significant need is for the creation of a central building authority with the ability to manage the acquisition, maintenance, utilization and disposal of real property. Although we attempted to prioritize and suggest properties for disposition as surplus, state government has never performed an overall portfolio analysis that would make information-driven decisions about the operating effectiveness of facilities owned or occupied by state agencies.

The Procurement Committee believes that changes in the state procurement process would better serve the state and its citizens. The committee recommends increasing the centralization of procurement information, increasing the funneling of solicitations that are common to multiple agencies and encouraging increased participation in the procurement process for in-state businesses as well as for small businesses. To this end, it is incumbent on state government to move toward a standardized procurement and financial/accounting system to reduce the requirement to process data from the various procurement systems throughout the state. Further, a centralized procurement system will lead to increased efficiencies through a reduction in the administrative burden, improved communication between agencies, improved access by the vendor community and improved management oversight of the entire procurement process.

The Public Safety Committee looked at those agencies with a significant public safety mission, including natural disaster preparedness and homeland security. The current lack of communications capability between law enforcement agencies and the lack of centralized procurement for all state law enforcement agencies were the primary concerns.

The Customer Satisfaction Committee probed public opinion through surveys, focus groups and opinion polls. While a majority of citizens are generally satisfied with the direction state government is heading, they would like to see "one-stop" shopping. They would also like to see standardization and sharing of data across agencies and programs, requiring information to be provided only once. State employees are overwhelmingly concerned about the recent budget cut-backs. They would like to see a streamlining of agency administration and process improvement initiatives involving frontline services providers.

Finally, the commission performed an operational review of the Department of Social Services using a team of employees from various levels within the agency and outside consultants to propose a structural reorganization of the department. The focus on improving efficiency and effectiveness in the delivery of core services to key clients includes an expanded use of information technology and improving communication, performance evaluation, quality assurance, and both strategic and short-term implementation planning.

Many of the recommendations for changing the way we do business in South Carolina can be implemented by the governor under existing executive powers if he believes them to be beneficial. The majority of recommendations require authorization by either the Budget and Control Board or the General Assembly, while a number would require constitutional amendments before being enacted. In as many places as possible, we have attempted to specify the body or the mechanism by which changes can be implemented.

The fiscal impact of the commission's recommendations is enormous. In keeping with the charge to find ways to save costs and improve efficiencies, we make recommendations that we estimate would save $225 million first-year and over $300 million annually thereafter. This is in addition to the estimated $650 million savings to be derived from prospective elimination of the TERI program.

Mission Statement and Goals

MISSION STATEMENT AND GOALS

ON JUNE 10, 2003,
GOVERNOR MARK SANFORD ESTABLISHED A
FOURTEEN-MEMBER STUDY COMMISSION COMPOSED OF
TWELVE BUSINESSPERSONS AND THE
STATE'S LIEUTENANT GOVERNOR AND COMPTROLLER GENERAL.

THE GOVERNOR CHARGED THE COMMISSION WITH EXAMINING
STATE GOVERNMENT AND RECOMMENDING CHANGES THAT WOULD
"REDUCE COSTS, INCREASE ACCOUNTABILITY, IMPROVE
SERVICES, CONSOLIDATE SIMILAR FUNCTIONS, RETURN
FUNCTIONS TO THE PRIVATE SECTOR, AND HELP
SOUTH CAROLINA BE MORE COMPETITIVE IN A
WORLD ECONOMY."

THE COMMISSION, DESIGNATED THE
GOVERNOR'S COMMISSION ON MANAGEMENT,
ACCOUNTABILITY AND PERFORMANCE, OR
"MAP COMMISSION",
WAS ASKED TO COMPLETE ITS WORK AND REPORT ITS
FINDINGS AND RECOMMENDATIONS
BY SEPTEMBER 30, 2003.

South Carolina

Yesterday and Today

SOUTH CAROLINA YESTERDAY AND TODAY

INTRODUCTION

Comprising 30,111 square miles, the State of South Carolina extends from the Appalachian Mountains to the eastern seaboard. Its ranking in terms of geographic area is 40th and its population, as of the year 2000, ranks 25th (population = 4,107,000) among the states.

In our view, governmental reform must be seen in the context of South Carolina's history, particularly its political, social and economic forces. The following narrative briefly examines these forces in order to provide a backdrop for understanding South Carolina's state government, both past and present.

HISTORY AND THE FORCES OF CHANGE IN SOUTH CAROLINA[1]

By all accounts, the Civil War and its after effects were ruinous for South Carolina's people and economy. For example, the state lost nearly 20% of its white male population; and its agricultural-based economy, mainly cotton production, was significantly ruined. This devastation was compounded in early 1865 by Sherman's wartime policy, described by some historians as one of "scorched-earth." It all but decimated the remainder of the state's plantations, its infrastructure and many of its urban areas, particularly Columbia. Sharecropping became the only remedy immediately following the war, yet it provided little economic impetus.

Fortunately, swift expansion of the textile industry aided the state in recovering from the sharecropper economy. Textile mills began to appear in the late 1800s, growing from 14 in 1880 to 115 in 1890. From 1900 to 1920, the industry continued to increase substantially due to the development of hydroelectric power.

During this time, state government reflected the prevailing circumstances. The State Pest Crop Commission (SPCC) and the South Carolina Agricultural Department (SCAD) were two important governmental entities that served the cotton/textile base. The SPCC was a response to insect infestations, particularly the boll weevil. The SCAD was a concerted attempt to improve farming techniques such as crop rotation and the systematic use of fertilization.

Though slavery was abolished in 1863, African-Americans remained politically disenfranchised in post-reconstruction South Carolina. This situation extended well into the 20th century. The state's frail economy and racial practices caused many to seek opportunities in the north; and by the early 1920s, South Carolina no longer had a black majority.

The advent of the Great Depression in 1929 further complicated matters. Until 1933, South Carolina's economy was reeling along with the rest of the United States and beyond. Passage of President Roosevelt's New Deal legislation reversed economic circumstances in South Carolina to some extent.

---

[1] Source for this narrative can be found at http://www.state.sc.us/scsl/brfhist.html, retrieved September 12, 2003.

Chronology: 1895—1979

1895	Construction began on Olympia Mill in Columbia. Upon completion it contained over 100,000 spindles, the world's largest textile mill under one roof. The S.C. Constitution of 1895 was adopted.
1914	World War I began.
1915	The State Tax Commission was established.
1922	A law was passed limiting the hours of work in textile mills to 55 per week.
1927	The State Forestry Commission was created.
1929	A $65 million bond issue was authorized to complete a state road system.
1936	Appointment of highway commissioners was shifted to the General Assembly from the Governor.
1938	The State Planning Board was established. (It later evolved into the State Development Board and the S.C. Commerce Department)
1940	Camp Jackson became Fort Jackson, a permanent military installation.
1942	The State Ports Authority was established.
1945	World War II ended. Over 170,000 South Carolinians served.
1950	The State Budget and Control Board replaced the Budget Commission.
1961	The state established its first technical education program.
1964	The Federal Civil Rights Act became law. In 1965, the Federal Voting Rights Act was approved.
1977	The Educational Finance Act became law.
1979	Michelin Tire announced a $100 million investment.

Source: Rogers, G. and Taylor, C. (1994). A South Carolina Chronology. 2nd Edition. University of South Carolina Press. Columbia: SC.

Perhaps even more importantly, a pronounced increase in military activity – such as the construction of bases – had a marked effect on the revitalization of the state. World War II brought work to Charleston shipyards in the early 1940s, where more than 200 military support carriers and battleships were built. In 1941, the state's Santee-Cooper Authority was established to supply electric power to these and other growing industries.

The 1950s saw great expansion and modernization in the textile industry, which branched out into synthetics, while other manufacturing plants concentrated on metalworking, chemicals and paper. In 1953, the Savannah River Plant began production of nuclear materials.

The 1950s, 1960s and 1970s were times of expanding government services and increasing economic vigor. These decades were also a time of social unrest and the civil rights movement. Court decisions and federal actions brought about equal voting rights and integrated schools in South Carolina. Under the leadership of progressive state officials, South Carolina balanced the economic and educational needs of citizens, including African-Americans.

SOUTH CAROLINA AND ITS ECONOMIC PROGRESS TODAY [2]

One might conclude from the above narrative that South Carolina's economy continued to be dominated by three key factors in the early to mid-1990s: the concentration of South Carolina's work force in textiles, agricultural employment and the migration of African-Americans to the north.

In fact, however, post-World War II South Carolina experienced a substantial diversification of its economic base.

Instead of a mainly textile-manufacturing base, the 1950s saw the emergence of service industries and tourism as principal factors in the economic picture of the state, along with a growth in foreign investment. For instance, 1960-1965 witnessed nonagricultural employment grow more than 18%. This increased exponentially over the next five years, 1965-1970, by 23%, and again, between 1970-1975, by 17%. The cumulative effect was a total 58% increase in nonagricultural employment in a mere 15 years.

Meanwhile, textile employment fell substantially during roughly the same period. From 1960, textile employment slipped from a 28% share of total employment to 26%. More dramatically, the percent share of total employment for textiles dropped to 23% in 1970 and then to an 18% share in 1975.

In terms of economic well being, change has been evidenced in personal income growth. As the table below illustrates, personal income in 1997-2000 increased by 14% from $21,005 to $23,952. Only Virginia (17.6%) and Georgia (16.1%) increased by percentage more than South Carolina for the same period. U.S. per capita personal income increased by 15.8%. The southeast average grew by 13.8%.

Despite this growth, South Carolina's per capita personal income is just 81% of the national average. That means that for every dollar the average American makes, the average South Carolinian makes 81 cents. That *is* up from about 75 cents in 1970 – but it's a decline from what South Carolinians made in 1990.

Of 12 southeastern states, South Carolina is 7th in per capita personal income. When you look at our closest neighbors – Florida, Georgia, North Carolina and Virginia – South Carolina is dead last.

Per Capita Personal Income 2000

US	Southeast	Georgia	North Carolina	Kentucky	South Carolina
$29,451	$26,179	$27,790	$26,842	$24,507	$23,952
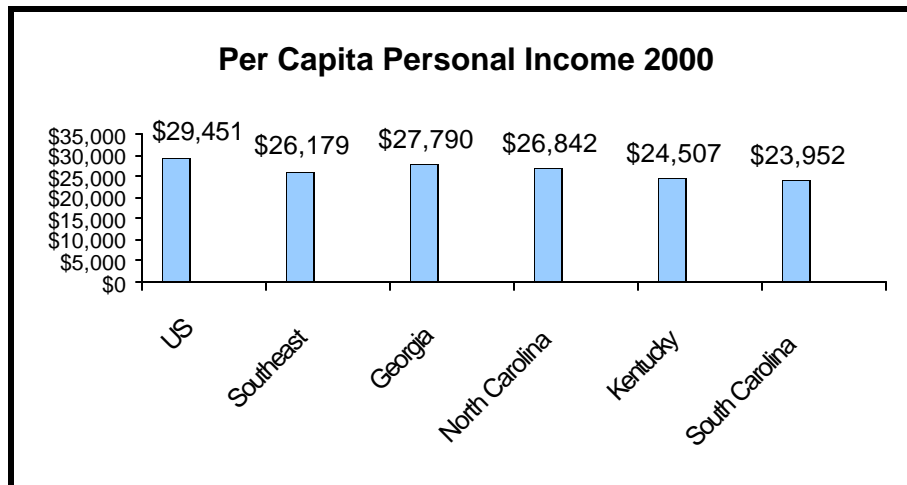
**Source: U.S. Department of Commerce, Bureau of Economic Analysis, May 2001.
Percent calculations by the Office of Research and Statistics**

---

[2] Sources include The Budget and Control Board, Office of Statistics and Research, at http://www.ors2.state.sc.us/abstract/index.html, the S.C. Department of Commerce, at http://www.teamsc.com; S.C. Parks, Recreation and Tourism, at http://www.discoversouthcarolina.com .

Tourism is also instrumental to South Carolina today. According to the S.C. Department of Parks, Recreation and Tourism, more than 28,000,000 people visited South Carolina in the past year, spending over $7 billion and creating 250,000 jobs. All total, the state currently possesses a $15.1 billion tourism industry. South Carolina's tourist attraction is due mainly to its beaches and coastal areas, a 187-mile stretch of prime real estate. This extends from North Myrtle Beach south to Charleston and onward to Hilton Head Island. Along this area are thousands of hotels, motels and beach rentals that provide accommodations for tourists. Add to this restaurants, numerous attractions, retail shopping, and the dynamic that presents itself is one of economic growth and expansion.

Furthermore, the Grand Strand is a major economic region of the state. The civilian labor force, for instance, is more than 150,000 strong. Hourly wages average $10.00-$16.25. Large companies are plentiful as well, such as AVX Corp., International Paper, Georgetown Steel, Tupperware USA and Eagle Electric.

The Berkeley-Charleston-Dorchester Region (BCDR) and the Lowcountry Region are major contributors to economic prosperity in South Carolina. BCDR, for example, has a civilian work force of nearly 300,000 with hourly average wages ranging from $9.50-$16.00. The largest manufacturers here include Robert Bosch Corp., Westvaco, Bayer, Dupont, Nucor Steel and Alumax of South Carolina.

The Upcountry, which includes Greenville and Spartanburg counties, also has its share of economic wealth. Considered by many to be both scenic and economically stimulating, the so-called Appalachian region is situated in the northwestern part of South Carolina. Data on its labor force indicates that some 600,000 civilian jobs exist, most of which are in manufacturing and construction. With well over 2,000 jobs, BMW Manufacturing Corporation is the region's largest employer. West Point Stevens, General Electric, Michelin North America and Springs Industries are a few of the other major manufacturing employers located here.

Overview of State Government in the Palmetto State

AN OVERVIEW OF STATE GOVERNMENT IN THE PALMETTO STATE

Recommending reforms necessary to bring about "good" government in the Palmetto State first requires a grasp of the current makeup of the executive branch and a thorough comprehension of the state's varied and complex administrative structure. The following discussion presents an overview of state government in South Carolina followed by a brief narrative of associated general problems.

THE EXECUTIVE BRANCH OF SOUTH CAROLINA GOVERNMENT [1]

To begin, one must distinguish South Carolina's "executive branch" from the legislative and judicial branches. The executive branch provides the general direction and control of state governmental affairs. Its primary goals are "to execute the laws" of the state and "to provide for the management, administration and oversight" of state services or functions to the citizenry.

The executive branch is composed of nine constitutionally established officers, chosen by the electorate on a statewide basis. This is generally referred to as a "long ballot." These include the governor, lieutenant governor, secretary of state, state treasurer, attorney general, comptroller general, adjutant general, superintendent of education and commissioner of agriculture.

The term of office for each constitutional officer is four years. With the exception of the governor, who is restricted to two consecutive four-year terms, constitutional officers may serve an unlimited number of terms. Briefly, the constitutional officers' responsibilities are as follows:

The Governor: According to Article IV of the South Carolina Constitution, the governor is designated the "chief executive" of the state. The constitution states specifically that "the supreme executive authority of the state shall be vested in a chief magistrate… the Governor of the State of South Carolina" and that the governor is to "take care that the laws are faithfully executed."

  ?? The governor is also constitutionally required to report to the General Assembly or " to give information on the condition of the state." This includes, but is not limited to, regular messages to the Senate and House of Representatives, the inaugural speech and the yearly "State of the State" message to the full legislature. The governor is also required to recommend to the legislature "such measures as he shall deem necessary and expedient." [2]

  ?? Other powers of the governor affecting legislation include the power to veto any bill and the line-item veto of the appropriation bill. The governor also has the power to call special sessions of the General Assembly.

  ?? The governor submits an executive budget to the General Assembly within five days after the beginning of each regular session. [3]

  ?? Additionally, the governor is chairman of the State Budget and Control Board. [4]

---

[1] Note: The following material draws heavily on Young (1999). *A Brief Guide to State Government in South Carolina.* USC Institute for Public Service and Policy Research. Columbia: SC.

[2] See South Carolina Constitution, Article IV, Section 15.

[3] See South Carolina Code of Laws. Sections 11-11-15 and 11-11-70, 1976, as amended.

[4] This unique board, composed of five *ex officio* members, is responsible for a number of administrative and fiscal functions of the state. The board plays a major role in the budget process, retirement systems, state procurement, human resources management, insurance services, intergovernmental relations and a host of other "financial and managerial" areas.

✍ The governor is designated by the state constitution as "Commander-in-Chief" of the state's armed forces when they are not in national service.

Lieutenant Governor. The Office of the Lieutenant Governor operates pursuant to the state constitution and law. The lieutenant governor is elected by the people for a four-year term and is required to meet the same qualifications as the governor. The lieutenant governor's formal duties are limited, however, when compared to the state's other constitutional officers.

✍ Most importantly, the lieutenant governor is the immediate successor to the governor should the governor die, resign or for other reasons fail to complete a term of office.

✍ Additionally, the lieutenant governor presides over the Senate.

Secretary of State. The secretary of state keeps and maintains various records and documents of the state. The secretary is custodian of all acts and resolutions that are passed by the General Assembly.

✍ All foreign and domestic corporations that operate in the state, under the S.C. Corporations Act, must register with the secretary of state.

✍ The secretary administers the S.C. Uniform Commercial Code, including the registration of securities and the licensing of agents and brokers.

State Treasurer. The state treasurer is "the custodian" of state funds. The treasurer's duties include the receipt and disbursement of state revenues, the investment of state funds and the issuance of state bonds. In essence, the treasurer's office serves as the "state's bank," receiving and disbursing funds, as mandated by state law.

✍ The treasurer invests funds of the Retirement System's portfolios in accordance with Section 11-9-660 of the S.C. Code of Laws and other new provisions of law enacted in 1998.

✍ Added to these responsibilities, the state treasurer is an *ex officio* member of the State Budget and Control Board.

The Comptroller General. The comptroller general's primary responsibility is to coordinate, through stringent laws and accepted accounting procedures and practices, the expenditure of all state funds. The comptroller general provides for centralized payroll, accounting and reporting financial data in accordance with the statewide program budget structure.

✍ The comptroller general is further responsible for the coordination of collecting all property taxes, assisting county auditors, treasurers and tax collectors and reimbursing the homestead exemption, the state homeowner's tax relief program and the merchant inventory program.

✍ The comptroller also conducts various pre-audit and audit functions, including the audit and certification of validity of all disbursements made by the state treasurer and interdepartmental transfers among state agencies.

✍ Finally, the comptroller general serves as an *ex officio* member of the State Budget and Control Board.

Attorney General. The state attorney general is "the chief prosecutor and chief legal officer for the state." The Attorney General's Office consists of a criminal division, an opinions division, a civil division and separate divisions relating to financial and administrative matters.

✍ The attorney general supervises all litigation in which the state is involved and provides legal advice to state agencies and officers, including members of the legislature, especially in the form of advisory opinions.

✍ The attorney general serves as legal advisor to the State Grand Jury.

Adjutant General. The adjutant general is the head of the state's military[5] in South Carolina, which consists of the S.C. Army and Air National Guard and the State Guard. The adjutant general's office is also responsible for emergency preparedness and is required to develop a statewide emergency plan and to coordinate state emergency efforts.

Superintendent of Education. The superintendent of education of the state is responsible for the administration of annual appropriations for public education. The superintendent also administers federal funds for public education allocated to the state. By and large, the superintendent provides public policy strategies in education, provides leadership on public school issues and is a key spokesperson for educational matters in general.[6]

Commissioner of Agriculture. The commissioner of agriculture is the top executive of the South Carolina Department of Agriculture. The commissioner's responsibilities, and those of the department, are to promote the industry of agriculture and market its agricultural products. The commissioner's duties also fall into two other main areas; namely, laboratory and consumer services.

In the next section, the state's bureaucracy or administrative organization is touched upon. This administrative arm of state government comprises a number of state agencies, boards and commissions that are considered essential to the provision of public services.

STATE GOVERNMENT ORGANIZATION AND ADMINISTRATION IN SOUTH CAROLINA[7]

It is important to note that the General Assembly has considerable influence on the administrative structure and governance of state government. Since the 1790 South Carolina Constitution, and subsequent state Constitution of 1895, state government has for the most part been an organizational framework traditionally engineered and dominated by the legislature. Up to the early 1990s, it mainly consisted of agency structures governed by boards and commissions appointed by the legislature alone, or by the governor and the legislature, or by the governor with some form of legislative approval. Thirteen cabinet agencies were created or consolidated under gubernatorial control by the Restructuring Act of 1993, which strengthened somewhat the power of the governor. The legislature retains, however, appointment powers over a great number of state agencies.

Given this, the administration of state government is, generally speaking, carried out by a host of state organizational entities. These entities provide a wide range of state services such as, public transportation and safety, health and human services, education and conservation of natural resources, to mention only a few. In total, state government in South Carolina consists of some 108 units. As of July 2002, authorized positions from all sources of funding totaled 74,733 of which 64,287 were filled. Furthermore, for fiscal year 2002-2003, the total state budget is $15.1 billion, of which $5.4 billion is from General Funds. The following tables summarize this data.

---

[5] Note: The governor is, by constitutional authority, the "Commander-in-Chief."
[6] Note: The superintendent of education also operates in conjunction with the S.C. State Board of Education.
[7] Op. Cit, Young (1999). *A Brief Guide to State Government in South Carolina.* USC Institute for Public Service and Policy Research. Columbia: SC.

State FTE Positions 2003	
General Funds Authorized Filled	41,791 36,574
Federal Funds Authorized Filled	7,639 6,599
Other Funds Authorized Filled	25,303 21,114
Total **Authorized** **Filled**	**74,733** **64,287**

Source: Office of State Budget, 2003

Total State Appropriations FY 2002-03	
General Funds	$ 5,437,436,227
Federal Funds	$ 4,503,272,757
Other Funds	$ 5,120,286,616
Total	**$ 15,060,995,600**

Source: Office of State Budget, 2003

Once more, "a network of state agencies" principally administers state government in South Carolina. The definition of an agency can be useful in understanding state government and can serve as a criterion for distinguishing the particular characteristics of an agency or department. For purposes of this report, a state agency embodies the following characteristics:

 ✍ Must be created constitutionally or by statute;

 ✍ The members of the board or commission, or chief executive officer are (1) elected by the people, (2) appointed by the governor, (3) elected or appointed by the General Assembly or, (4) serve as *ex officio* members;

 ✍ Receive appropriated funds;

 ✍ Utilize a "support staff;" and,

 ✍ Be deemed to have a long-lived purpose.

In excess of 100 governmental entities or state agencies currently can be said to meet these characteristics or criteria. Nine are the constitutional offices or departments (the governor, the superintendent of education, state treasurer, etc.) as discussed earlier in this section. Nine "divisions" are found in the Office of the Governor (Aging, Continuum of Care, Veterans Affairs, etc.). There are also the 13 cabinet agencies, eight

administrative units within the legislative department (excluding the state Senate and House), 16 entities within the judicial department and roughly 55 independent agencies or boards and commissions. The table below lists agencies by "organizational or administrative categories."

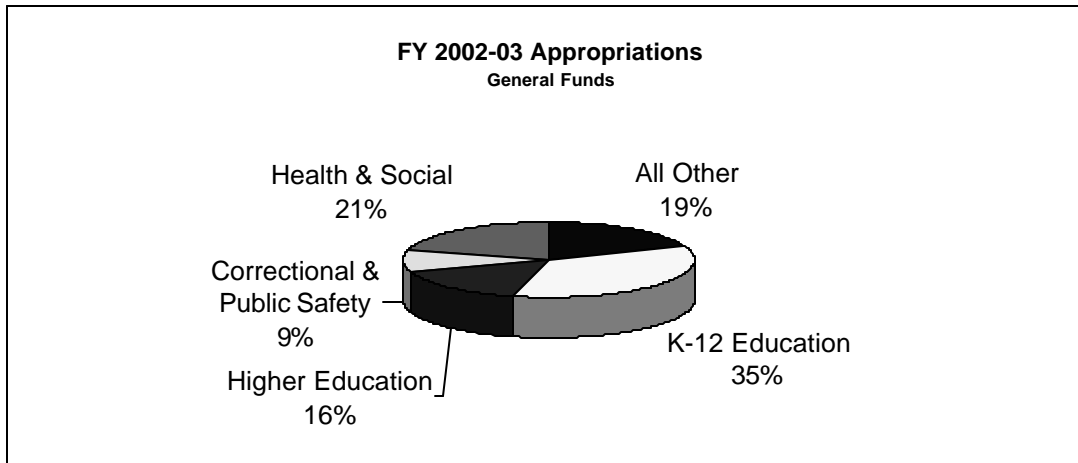| The State of South Carolina State Government Organizational / Administrative Categories	
Organizational / Administrative Categories	**Number of Entities**
State Constitutional Offices or Departments	9
Office of the Governor – Internal Units or "Divisions" (Excluding "Executive Control" Unit)	9
Office of the Governor – Cabinet Agencies (Including State Law Enforcement Division)	13
Legislative Department – Support/Audit Units & Joint Committees (Excluding Senate and House)	8
Judicial Department – Supreme Court & State Court Systems, Administrative Support Units & Special Boards and Commissions (Excluding Magistrate, Municipal and Probate Courts)	16
Boards and Commissions (Independent Agencies)	53
Total Number of Entities **(Excluding the General Assembly and the Organizational Units of the Budget and Control Board)**	**108**

Sources: State Reorganization Commission. "State Government Organizational Chart." Columbia, S.C.: State Reorganization Commission, July 1997.

State Reorganization Commission. "South Carolina State Government: Directory." Columbia, S.C.: State Reorganization Commission, June 1997.

Office of State Budget of the State Budget and Control Board. "Summary of Government Restructuring." Columbia, S.C.: Budget and Control Board, FY 1993-94.

Overall, over 50% of state General Funds are appropriated for K-12 and higher education. Health and social rehabilitation agencies received 21.1% of the General Funds appropriated; from all funding sources, however, health and social rehabilitation agencies received 38%.

By way of illustration, the functional area of "public education" is a major spending category of state funds. Organizational units here consist of the Department of Education, the Educational Television Commission, the Wil Lou Gray Opportunity School, the School for the Deaf and the Blind and the John de la Howe School. For FY 2002-03, over $2.8 billion, or 52.2% of the state General Fund, is appropriated for educational initiatives in South Carolina. The K-12 education General Fund appropriation is $1,918,683,002 for FY 2002-03. In addition to the General Fund appropriation, one cent of South Carolina's sales tax (or $543,282,467 for FY 2002-03) is earmarked for K-12 education. The FY 2002-03 General Fund appropriation for South Carolina's colleges and universities totals $851,788,422. Other educational agencies in South Carolina are appropriated $74,559,024 from the General Fund. In addition to the General Fund, appropriations from South Carolina's Education Lottery Account total $252,000,000 for FY 2002-03. Of this amount, $79,819,583 is earmarked for K-12 education, $152,180,417 is earmarked for higher education, and $20,000,000 is for other education initiatives.

FY 2002-03 Appropriations
General Funds

Health & Social
21%

All Other
19%

Correctional &
Public Safety
9%

K-12 Education
35%

Higher Education
16%

Source: Office of State Budget, 2003

Before ending this discussion of the organization and administration of state government, some brief comments on "boards and commissions" may be beneficial.

While the restructuring that occurred in 1993 has had an impact on state government – with the consolidation of several agencies and/or their functions – and has given the governor direct control over several agencies, most agencies are governed today by boards and commissions. A cursory review of state government indicates that more than half of those state entities meeting the criterion of an agency (approximately 61 administrative units) are governed by a board or commission-type arrangement. Board or commission membership varies from as few as three (e.g., the Employment Security Commission) to as many as 27 members (e.g., the Judicial Council of South Carolina). The average number of board or commission members is nine.

Boards and commissions are created by law. The members of these boards or commissions consist of a group of persons who are elected or appointed to govern an agency. Governance, though it varies from board to board, consists mainly of policy development and decision-making and general oversight and direction of agency functions to achieve the agency's statutory mission. The responsibilities of boards and commissions usually include the following:

- ?? Establishing policy under the authority granted by the state;
- ?? Implementing the legal requirements of the agency;
- ?? Employing a director or "agency head" of the agency;
- ?? Approving and overseeing the expenditure of the agency budget; and,
- ?? Providing broad direction of agency activities.

Finally, boards and commissions are appointed or elected in differing ways. They may be (1) elected by the General Assembly, (2) appointed by the governor and the board names the executive director, or (3) appointed by the governor with legislative approval and the board names the executive director. In the case of the Department of Transportation, the governor appoints the board chairman and the General Assembly appoints the remaining six members; the board names the executive director for the department.

THE RESTRUCTURING ACT OF 1993

In 1993, the State of South Carolina underwent a comprehensive restructuring of several of its governmental structures. Most of these changes resulted from two significant occurrences and their attending consequences. The Restructuring Act of 1993 (Act # 181 of 1993) provided for a relatively significant though partial reorganization of state government, shifting the governance of several state entities to the governor. Previously, this resided with the General Assembly, mostly through the appointment or shared-appointment

of board and commission members. While the legislature still wields considerable authority and direction over state government, the Restructuring Act provides more balance in agency governance and oversight by allowing a governor to be "a single or ultimate point" of accountability.

Prior to the restructuring of 1993, 145 autonomous state entities, boards and commissions existed. These entities provided a vast number of functions, including, but not limited to, economic development, transportation, child protection, income maintenance, prisons, environmental protection, community health care, law enforcement, support for the fine arts, education, employment training and physical and mental rehabilitation.

This number and configuration of state government agencies presented several problems in terms of efficient and effective administration, including the need for greater public accountability. Most critics and studies of state government prior to 1993 found that there was "a substantial absence of formal administrative accountability to the state's elected chief executive." Other criticism of pre-1993 state government included:

- Public testimony from citizens who found the configuration of state agencies "confusing and emotionally burdensome and an impediment to obtaining services;"

- Evidence of a serious need to coordinate state service programs due to a duplication of effort and administrative overhead;

- Findings that the span of control or delegation of authority and oversight were "far in excess" of effective management principles;

- Evidence that the cost-effective use of state resources was inadequate; and,

- Indication that considerable disparities in the quality of services existed.

The Restructuring Act of 1993 sought to achieve several purposes. One was, of course, to establish clearer lines of authority, responsibility and accountability. Another purpose was to create a manageable span of control. Additionally, restructuring was aimed at integrating functions into a smaller number of agencies or departments and enhancing the responsiveness of state government to the needs of South Carolinians.

> *Restructuring seeks to streamline agencies by eliminating duplication and improving services to South Carolina's citizenry while making agencies more accountable to the public by placing more authority with the governor. (Office of State Budget, July 1993).*

The highlights of the Restructuring Act of 1993 are numerous. The legislation provides for the creation of 17 executive departments. The governor, with the advice and consent of the Senate, directly appoints the department heads or directors of 12 of these new departments. The remaining five departments have various combinations of governing boards and directors appointed by the governor and/or the legislature. Colleges and universities, ETV, the Employment Security Commission and 38 other agencies remain independent. (Ibid.)

A Final Word on Restructuring

Nearly a decade later, state reorganization in South Carolina has surfaced again as an issue. While the reorganization of 1993 was arguably a "first step" in modernizing state government, one has only to review the recommendations and thoroughly analyze the Commission on Government Reorganization to see that many gaps still have not been closed in achieving "a better framework of government." As noted above, prior to 1993, South Carolina government consisted of over 145 boards, commissions and agencies – today that number is 108. Clearly there is still much work to be done to ensure that South Carolina's government operates more efficiently and effectively.

PROBLEMS ASSOCIATED WITH STATE GOVERNMENT IN SOUTH CAROLINA

The problems of state government in South Carolina have been documented over the past four decades through several analyses and reports, including 14 major studies pertaining specifically to reorganization. Indeed, this report can be counted as the 15th study and is the second within the space of a year.

In general, past studies have consistently found that state government in South Carolina has too many governmental units and is therefore fragmented, unwieldy and unaccountable. These reorganization studies have argued – unsurprisingly – for fewer state agencies and departments, increased coordination, better management systems and an improved "chain of command" or "clearer lines of authority and responsibility."

All of these studies identified critical problems with the organization and/or functioning of state government in South Carolina. All but two of the studies proposed solutions to these stated problems.

On the whole, most of the reorganization studies pointed out inefficiencies due to scarce or inappropriately used resources. Others evidenced widespread ineffectiveness because of the lack of unity of command and non-cooperation or lack of interagency communication. Others still cited the "wasteful or uneconomical use" of state revenues.

Additionally, past examinations and studies have found that state government in South Carolina is commonly blameworthy of:

?? The use of ineffective management practices by state agencies, boards and commissions;

?? The injudicious or careless construction of administrative mechanisms (some of which were and remain makeshift in design and configuration);

?? The untenable implementation of "spans of control;"

?? The lack of functional integration and

?? A general deficiency of responsiveness to the citizens of South Carolina.

Further, several of these studies have identified the problems of overlapping functions and duplication of effort. The first three reorganization studies (Griffenhagen, Coleman, and the Peace Commission) particularly found this problematic and recommended a reduction in the number of elected offices and a reorganization of state governmental agencies and units into 12 to 13 key departments. Ironically, this was the same general finding, and resulting similar recommendation, that came about in the major state reorganization study completed in September of 1991, entitled *Modernizing South Carolina State Government for the 21st Century.* Additionally, Governor Sanford's Task Force on Government Restructuring and Campaign Finance Reform, completed in January 2003, made a remarkably analogous finding.
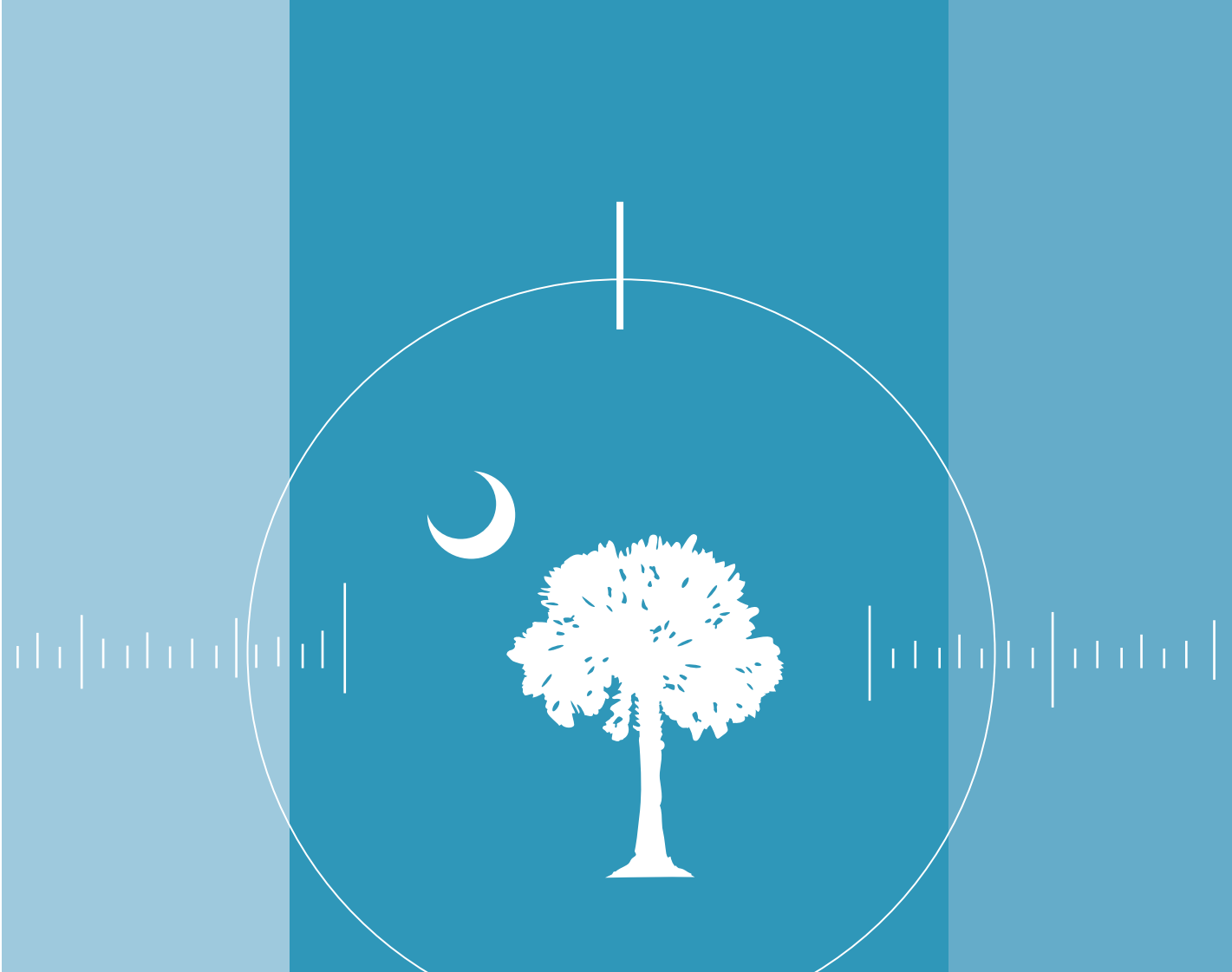
It should be noted that Governor Sanford's *Task Force on Government Restructuring and Campaign Finance Reform Report of January 2003* makes a similar finding. This is particularly true with regard to the report's judgment dealing with the state's long ballot of constitutional officers. Its final report argues, for example, that:

?? "The Constitution of 1895 provided for the '*long ballot*' election of a myriad of constitutional officers with whom the governor would share executive authority. At a time when a majority of other states and the federal government were moving toward executive centrality, South Carolina grudgingly allowed for a separate executive branch with limited checks over the legislature and power diffused over nine elected executive officials — namely the Governor, the Lieutenant Governor, the Secretary of State, the Treasurer, the Comptroller General, the Attorney General, the Adjutant General, the Superintendent of Education and the Commissioner of Agriculture, each of whom is elected for a four-year term. By and large, these plural executives are fairly entrenched officers having built up statewide constituencies and considerable political clout, and, aside from the Governor (who is limited to two consecutive terms), each of these executive officers is allowed to serve an unlimited number of terms, which can be an enormous source of "amassed and sustainable" power. As a result

of this long ballot approach, the executive branch is fragmented structurally and uncoordinated operationally in its delivery of services, activities and programs. It is frequently unresponsive to citizens' needs and, on the whole, unaccountable to the Governor."

Another common problematic theme in these past reorganization studies of state government in South Carolina included failure to establish clear lines of authority specifically to the governor in the hierarchy of governmental units. Several solutions have been recommended to address this and to strengthen the state's chief executive. In summary, these have included the following recommendations:

- ✍ Shorten the statewide election ballot. A long ballot of constitutional or statutory executive officials detracts public concentration and awareness of the governor as chief executive. Additionally, a long ballot diffuses executive powers from the governor, often creating a lack of coordination, power struggles and political or policy friction.

- ✍ Empower the governor to appoint and remove agency or departmental heads. The appointment powers delegated to boards and commissions restrict or hinder the governor's ability to be the "single stopping point" for public accountability. Also, common statutory restrictions placed on the governor from removing government officials prevent the governor from eliminating inept or otherwise "unacceptable" state officials. To ensure responsible and competent agency and departmental heads, including top management, key governmental employees should serve at the pleasure of the governor.

- ✍ The governor is often hamstrung from looking into independent agency mismanagement and poor quality of the delivery of vital government services. The governor should be able to require performance reviews of state government at all levels and resulting performance reports should be made available to the general public.

Methodology

METHODOLOGY

The MAP Commission organized into ten committees, each chaired by a commission member. The committees enlisted the help of "task forces," consisting of volunteers from both the private and public sectors. In all, over 300 individuals from the private sector, state government and some members of the General Assembly formed the MAP team. The committees focused generally on broad topical areas which included the following:

- Organizational Structure
- Budgeting, Finance and Accounting
- Human Resources
- Information Technology
- Transportation
- Facilities and Capital Asset Management
- Procurement
- Public Safety
- Customer Satisfaction
- Operational Review of the Department of Social Services

The ten committees utilized differing methodologies in their work but there were some similarities. These similarities included interviewing top management from each state agency, conducting surveys (or making information requests), undertaking staff analyses and preparing individual reports. The specific methodology used by each committee will be discussed later in this report.

Further, the commission heard a series of special presentations from government experts, held seven public hearings across the state, made site visits to agencies, used internet-based questionnaires soliciting input from both the general public and state employees, compared best practices of other states and conducted focus groups and a public opinion poll. The commission used all of this information to prepare this final report.

Public Hearings Held Around the State			
August 19	Aiken Technical College Aiken, SC	August 26	Francis Marion University Florence, SC
August 21	Greenville Technical College Greenville, SC	August 27	Midland Technical College Columbia, SC
August 25	York Technical College Rock Hill, SC	August 28	Trident Technical College Charleston, SC

This final report includes a discussion of the findings and recommendations of the commission. These, in essence, are problems identified within state government and suggestions or ideas on ways to correct these problems. The purpose was to identify what needs to be done, *not the detailed specifics of how to do it*. The details of how to implement solutions for these problems are left for appropriate and qualified state officials to determine. We believe that in most instances a collaborative team of internal and external consultants would provide the right balance and perspective in hammering out details.

The MAP Commission understands the difficulties in bringing about change. During its work, the commission heard numerous times the exasperation of individuals who felt that there could be little chance of true comprehensive reform due to the resistance of one group or another. Services and products of state government — education, transportation, health and human services, etc. — must change with technology, demographic shifts, national and international market forces and economic growth. Hence, the commission makes this final report with the hope that it will be received with an open mindset.

Finally, the MAP Commission realizes that this report is not a panacea for all of state government's challenges. It is, however, a start. The commission hopes that public officials and citizens alike will realize that change is a continuous process, not a onetime endeavor. Conditions and circumstances are always in flux and state government must constantly reevaluate its position in response to rapidly changing external forces. Only in this way will state government be responsive to public need.

The MAP Commission developed a specific set of criteria in evaluating and making its recommendations. The evaluation factors were ordered into three groupings:

MANAGEMENT:

- Eliminate duplication of effort
- Streamline organizational structure
- Eradicate wasteful spending
- Eradicate wasteful specialization
- Look critically at what needs to be done (set priorities)
- Create a clear chain of command (achieve accountability)
- Look for opportunities to privatize or outsource
- Look for opportunities to establish enterprise agencies
- Establish statewide goals and objectives (improve strategic planning across agencies)
- Increase agency coordination efforts

ACCOUNTABILITY:

- Increase government responsiveness to citizens
- Provide for periodic reviews of programs and services
- Increase public participation, especially in advisory capacities
- Create economies of scale
- Simplify government activities

PERFORMANCE:

- Eliminate wasteful spending
- Improve efficiencies of agency activities
- Improve the effectiveness of agency programs
- Ensure productivity of the workforce
- Reward employees for performance
- Focus on outcomes or results
- Increase the use of performance-based measurement for decision-making
- Apply zero-base or other budgeting techniques that challenge status quo activities
- Improve the well being of citizens
- Provide for a more flexible and adaptable government

The following section contains detailed findings and recommendations from each of the ten committees.
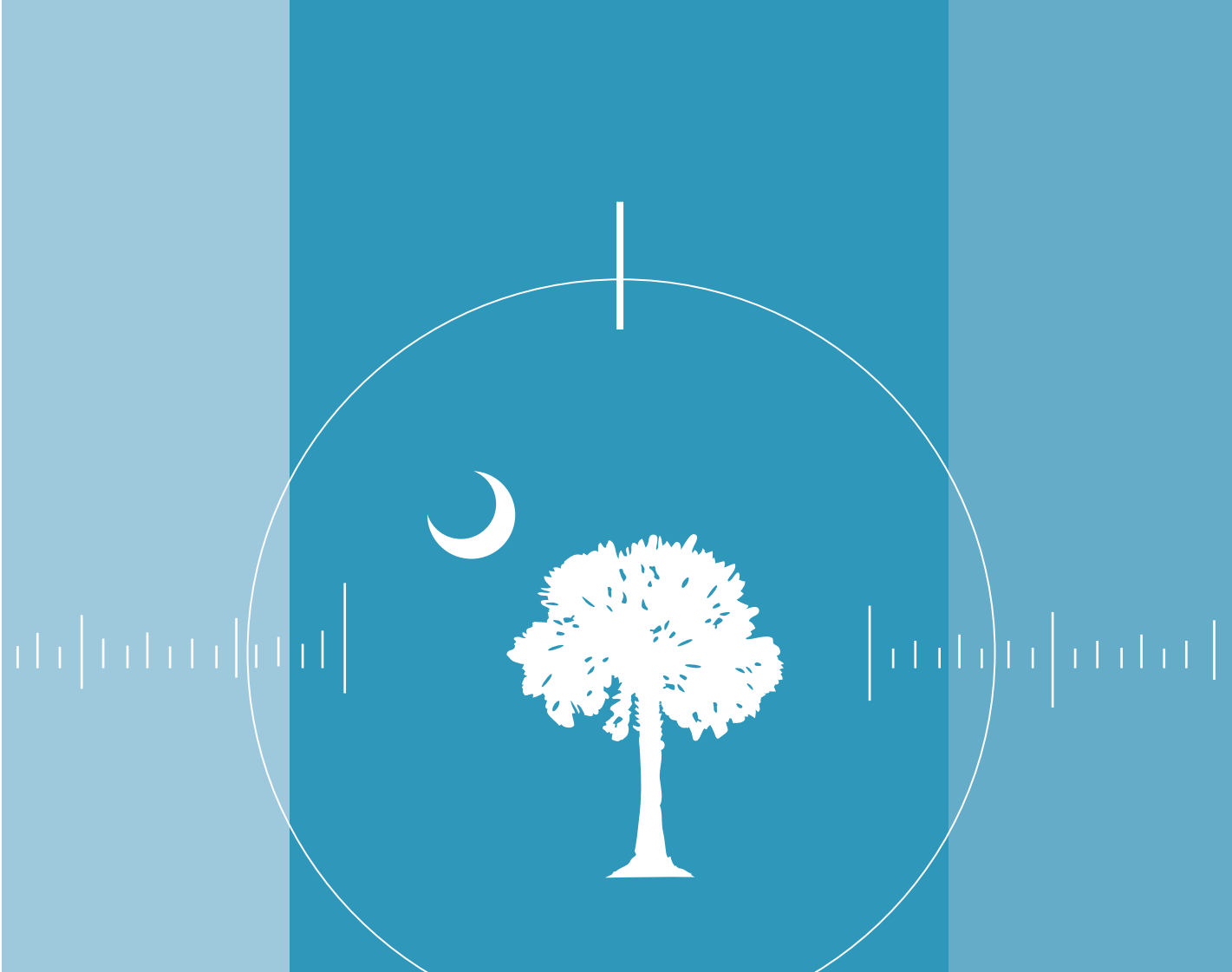
COMMITTEE REPORTS

ORGANIZATIONAL STRUCTURE

COMMITTEE MISSION STATEMENT

The Governor's Commission on Management, Accountability and Performance was established to analyze government systems and services in South Carolina in an effort to propose changes which will reduce costs, increase accountability, improve service, consolidate similar functions, return functions to the private sector and help South Carolina be more competitive in a world economy. Therefore, the Organization Subcommittee holds that its Mission is:

- To promote the more efficient management of South Carolina State agencies, boards, commissions and their functions through:

  o Establishment of clear lines of authority, responsibility and accountability;
  o Concentration of governmental responsibility and accountability;
  o Creation of a manageable span of control;

- To propose the grouping and consolidation of State agencies, boards and commissions, by major purposes of state government, in order to ensure the coordination and effective implementation of the policies set forth by the citizens of South Carolina, the General Assembly and ultimately the governor;

- To reduce the number of state agencies, boards and commissions by consolidating those having similar functions under a single head, in order to eliminate costly overlapping and the unnecessary duplication of efforts;

- To abolish such state agencies, boards and commissions, including those with advisory functions which are not necessary for the effective and efficient conduct of state government;

- To consider the recommendations of the "Task Force on Government Restructuring" dated January 21, 2003;

- To enable state government to do a better job of providing services to the citizens of South Carolina, and solving problems which South Carolina presently faces and will face in the future.

INTRODUCTION

Executive Order 2003-15 established the MAP Commission to "propose changes which will reduce costs, increase accountability, improve service, consolidate similar functions, return functions to the private sector and help South Carolina be more competitive in a world economy."

The Executive Branch is currently comprised of nine constitutional officers and approximately sixty five independent agencies, boards and commissions whose members are appointed or selected by a variety of methods. This results in a serious lack of accountability which leads to duplication of effort that is both unnecessary and costly and, at the same time, less than an optimal delivery of services.

The Map Commission was divided on the extent to which certain constitutional officers should be consolidated or eliminated. The commission recommends at a minimum restructuring the Executive Branch from the nine existing constitutional offices to six constitutional offices as follows:

- Governor

- Lieutenant Governor

✍ Attorney General

✍ Comptroller General

✍ State Treasurer

✍ Commissioner of Agriculture

The Commission also recommends fourteen cabinet departments and clusters reporting directly to the Governor. By clusters we are referring to the grouping of synergistic departments, agencies and functions, the result of which will reduce costs and improve service. We have referred to the groupings as "clusters" to emphasize that, unless explicitly noted in the recommendation, we are not merging agencies but rather clustering them under a single cabinet secretary. Within the clusters we are recommending the consolidation of administrative functions such as human resources, finance, information technology and purchasing.

Each cabinet department or cluster is led by a secretary appointed by the Governor with the advice and consent of the Senate. Most of the current agencies, boards and commissions will become part of the cabinet.

We are also recommending that each secretary commission an organizational analysis performed by internal and external consultants as to the structuring of the cabinet department.

CABINET DEPARTMENTS AND CABINET CLUSTERS

1. **Department of Parks, Recreation, and Tourism**
2. **Department of Insurance**
3. **Department of Administration**
4. **Department of Revenue**
5. **Department of Motor Vehicles**
6. **Adjutant General**
7. **Department of Commerce**
8. **Public Safety Cluster**
   - ✍ Criminal Justice Academy
   - ✍ Department of Public Safety
   - ✍ SLED
   - ✍ Department of Juvenile Justice
   - ✍ Department of Corrections consolidated with Department of Probation, Parole and Pardon Services
9. **Consumer Affairs/Human Affairs/Labor, Licensing and Regulations Cluster**
   - ✍ Department of Consumer Affairs
   - ✍ Department of Labor, Licensing and Regulations
   - ✍ Human Affairs Commission
10. **Health and Human Services Cluster**
    - ✍ Department of Mental Health
    - ✍ Alcohol & Other Drug Abuse Services
    - ✍ Department of Disabilities and Special Needs
    - ✍ Department of Health and Environmental Control (Health Services and Health Regulations)
    - ✍ Department of Health and Human Services
    - ✍ Department of Social Services
    - ✍ Vocational Rehabilitation
    - ✍ Commission for the Blind

11. **Public Education Cluster**
    - ✍ Department of Education
    - ✍ John de la Howe School
    - ✍ Wil Lou Gray Opportunity School
    - ✍ School for the Blind and Deaf
    - ✍ South Carolina ETV
12. **Employment Cluster**
    - ✍ Employment Security Commission
    - ✍ Vocational Rehabilitation Department
    - ✍ Commission for the Blind
13. **Natural Resources Cluster**
    - ✍ Department of Natural Resources
    - ✍ Forestry Commission
    - ✍ Conservation Bank Board
    - ✍ Department of Health and Environmental Control (Environmental Quality Control and O.C.R.M.)
14. **Culture Cluster**
    - ✍ Arts Commission
    - ✍ State Library
    - ✍ State Museum
    - ✍ Department of Archives and History

FINDINGS & RECOMMENDATIONS

Secretary of State

> ### Finding: *The Secretary of State's mandated functions are largely executive and administrative and could more efficiently be carried out by the Department of Revenue.*
>
> The Secretary of State is responsible for the statewide registration of corporations, Uniform Commercial Code interests, business opportunities, employment agencies, trademarks and notaries. This office handles the incorporation of municipalities and special purpose districts, the annexation of land and the escheatment of real property in South Carolina. The Secretary of State is the administrator and regulator of all charitable laws of this State. This office is also the custodian of Acts ratified each year by the General Assembly and handles the publication of positions within certain statewide boards and commissions. The Secretary of State is an ex officio member of the Legislative Council and the Commission on Consumer Affairs.
>
> The Department of Revenue's (DOR) new South Carolina Business One Stop (SCBOS) site format has been updated and simplified. The DOR continues to participate in a national effort to simplify business registration for the business owners (EIN – Over the Internet). The website will be improved by making links to local, state and federal governments as these sites become available. The DOR and the Employment Securities Commission (ESC) have begun efforts to establish a joint electronic registration.
>
> The Department of Revenue is the logical entity to carry out the responsibilities of the Secretary of State as it would streamline business filings, provide for "one-stop" shopping by businesses and would provide necessary auditing resources.

Recommendation: *The Office of the Secretary of State, through a constitutional amendment, should be eliminated and the responsibilities should be blended into the Department of Revenue.*

Potential Fiscal Impact: Approximately $ 250,000

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Adjutant General

> ### Finding: *Although the Governor serves as Commander-in-Chief and can activate the Army and Air National Guard, and the State Guard, he has absolutely no voice or control in the choice of the Adjutant General and therefore has no direct line of authority over the State military forces.*
>
> Today, the Adjutant General is a Constitutional Officer and has the rank of Major General. He is the head of the Military Department of the State. The Governor serves as Commander-in-Chief and can activate the Army and Air National Guard and the State Guard. However, the Governor has absolutely no voice or control in the choice of the Adjutant General since, unlike the other 49 states where this key government official is appointed, the Adjutant General is elected by the voters as required by Article VI, Section 7 of the South Carolina Constitution. In times of emergency it is

imperative to have direct lines of communication and authority so that State forces can be deployed quickly and in a coordinated manner to promptly respond to any given situation. Changing this office to an appointed position and making it a cabinet level department will provide that direct and clear line of authority.

Recommendations: *A constitutional amendment should be proposed that would change the position of the Adjutant General from an elected office to an appointed office. The cabinet secretary should be appointed by the Governor, with the advice and consent of the Senate.*

Potential Fiscal Impact: Potentially some reduced administrative cost

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Health and Human Services Cluster

Finding: *The State of South Carolina does not maximize the performance of health and human services through coordinated planning and management and through an integrated and seamless service delivery process. Duplicative administrative functions are costing the state tens of millions of dollars.*

Most of the health and human services agencies are not part of the Governor's cabinet. Therefore, there is no single point of accountability for the performance of these agencies. No executive branch entity has the authority to ensure comprehensive planning and budgeting or that services are provided efficiently. The public wants to and does hold the Governor accountable for the performance of the health and human services agencies.

Each health and human services agency has administrative functions such as human resources, finance, information technology and purchasing. Consolidation of the administrative functions will not only save money through improved leverage and efficiency but also improve service delivery through common planning and systems.

Recommendation: *State law should be amended to authorize a single cabinet secretary (Secretary of Health and Human Services), appointed by the Governor with the advice and consent of the Senate, to oversee all health and human services agencies, including:*

- Department of Mental Health
- Department of Alcohol and Other Drug Abuse Substances
- Department of Disabilities and Special Needs
- Department of Health and Environmental Control (Health Services and Health Regulations)
- Department of Health and Human Services
- Department of Social Services
- Vocational Rehabilitation
- Commission for the Blind (or in the Employment Cluster)

The Secretary should consider having the following Deputy Secretaries:

☞ Health Services

☞ Human Services

☞ Healthcare Finance

☞ Senior Services (see forthcoming recommendation)

☞ Administration

In the Administration Division, core administrative functions are consolidated such as human resources, finance, information technology and purchasing.

In addition to the above, the following programs should be moved between agencies as follows to improve synergy and provide better service delivery:

☞ Day Care Regulatory & Licensing from DSS to DHEC

☞ Baby Net from DHEC to DDSN

The use of boards by the departments and divisions is acceptable and encouraged as long as they are advisory, not governing, in nature and not paid positions.

The Commission recognized there is substantial merit in moving the Environmental Quality Control and Ocean & Coastal Resource Management divisions of DHEC to the Natural Resources Cluster, while leaving the Health Services and Health Regulations functions of DHEC in the Health and Human Services Cluster, but believes further study is needed before this could be submitted as a recommendation.

Potential Fiscal Impact: Full first year savings alone are estimated from $25.0 - $30.0 million resulting from the consolidation of administrative functions. Additionally, federal savings are approximately $30 million. It may be possible to shift more federal savings to state savings with additional study.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

> ***Finding:*** ***Similar services for which seniors are eligible are provided by several health and human services agencies. By consolidating these programs, complexity can be reduced, planning and budgeting can be done more comprehensively, and the quality of services provided will be improved.***
>
> It is extremely difficult for the senior citizens of our state to navigate through the maze of services being offered by the various health and human service agencies. By consolidating programs, complexity can be reduced, the need for interagency referrals can become less frequent and planning and budgeting can be done more comprehensively.

Recommendation: ***Create the Division of Senior Services reporting to the Cabinet Secretary of Health and Human Services. This division will be comprised of:***

☞ Campbell Veterans Nursing Home and Tucker Nursing Care Center currently operated by the Department of Mental Health

☞ For clients at the Tucker Nursing Center with a mental illness, the Department of Senior Citizens should purchase services from the Department of Mental Health or a private provider

- ✍ The Adult Protective Services program (for all adults) and the homemaker services program (for adults) of the Department of Social Services

- ✍ Long Term Care Ombudsman

- ✍ The Community Long Term Care (CLTC) of the current Department of Health and Human Services

- ✍ Office of Aging and State Aging Network of the current Department of Health and Human Services

- ✍ Home Health Care Services of the current Department of Health and Environmental Control

  - o Optionally, services may be provided by DHEC under contract by the Division of Senior Services

Potential Fiscal Impact: The specific savings depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **Health and human services agencies tend to have a "silo" perspective towards a client rather than a holistic approach to meeting their needs. It is difficult for a client to determine where to apply for and receive help while the agencies spend extra resources on duplicate administrative costs, interagency referrals and service coordination.**

The health and human services agencies have varying and non-uniform regional structures to meet their specific administrative and service delivery needs. Inconsistent regional planning structures complicate communication across agencies and hinder cross-agency operations. Health and human services agencies demonstrate a "silo focus" by their systems and planning and approach to service delivery.

Recommendation: **Under the Secretary of Health and Human Services, the divisions should be aligned so that their community structures better serve their clients. The goal is for families and communities to become partners in the delivery of health and human services and to improve planning at the local level, improve communication across agencies and provide clearer, if not seamless, points of entry into the agencies.**

The following approach should be considered.

Community Health Alliance

An agency such as the Public Health Department of DHEC should take the lead in the creation and operation of a community health alliance for each county. The alliance would strive to achieve community wellness and improved health care through knowledge and greater access to effective, county wide medical resources and aims to reduce the number of medically underserved persons in the county.

The role of the community health alliance is not to provide direct care services itself, but rather to coordinate the existing community health care agencies and resources in such a way as to facilitate a collaborative, community effort to accomplishing the goals of the alliance's plan within the community, based on community needs and to seek necessary funding to support the community agencies in implementing programs that meet the needs of the medically underserved. The alliance should have the full support of the county council with the county providing the needed facilities.

Members of the alliance would include not only local directors of state agencies but hospitals, faith based institutions, community foundations and other private caregivers in the community.

Co-Location of Facilities

In addition to the community health alliance, state health and human services agencies within a county should be co-located in at least one facility. This has proven very successful where it has been implemented.

Local Governance

The local/regional offices must have clear lines of accountability to their cabinet secretary. DDSN and DAODAS have essentially privatized their local delivery of services and the local provider is directly accountable to the agency director. DMH and others should follow this model. Unless the local provider of services is privatized, all local boards and commissions should be advisory rather than governing in nature.

Potential Fiscal Impact: The specific savings depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **The Department of Health and Human Services provides both Medicaid and non-Medicaid functions. The non-Medicaid functions have much in common with other health and human service agencies.**

The existing Department of Health and Human Services is chiefly responsible for administering Title XIX of the Social Security Act, better know as the Medicaid Program. It also is responsible for non-Medicaid functions that have much in common with programs in other Health and Human Service Cluster agencies. By refocusing DHHS as the State Medicaid agency, additional cost effective strategies in delivering Medicaid services will be the priority.

Recommendation: **Rename the existing Department of Health and Human Services as the Department of Healthcare Finance (DHF) and establish it as a department reporting to the newly created cabinet secretary for the health and human services agencies. The newly created Department of Health Finance essentially becomes the state Medicaid agency.**

The Child Development Block Grant and the Social Services Block Grant functions should be moved to the Department of Social Services.

?? The Commission thought there could be merit in moving the State Health Plan under the new Department of Healthcare Finance to leverage the purchasing power of the $3.7 billion Medicaid coverage with the $980 million State Health Plan but felt further study was required before the recommendation could be finalized.

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Combining the health care purchasing power of the $3.7 billion Medicaid coverage with the $980 million State Health Plan would most likely lead to further savings for the State Health Plan, perhaps in the range of $100 million.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

> *Finding:* ***Three agencies operate addiction treatment and related programs. The consolidation of these programs will provide clarity for clients who are seeking help for addictions, reduce administrative costs and minimize the need for interagency referral and coordination.***
>
> The Department of Alcohol and Other Drug Abuse Services (DAODAS) contracts with thirty four local agencies throughout the state to provide community-based addiction treatment services. The Vocational Rehabilitation Department (VR) provides inpatient addiction treatment services in Florence and Greenville. The Department of Mental Health (DMH) provides inpatient addiction recovery services at two institutions in Columbia, one for adults and one for youth. The department's community mental health centers treat clients for addictions in conjunction with treatment for other mental illnesses.
>
> Florida, Georgia, North Carolina and Virginia have single divisions or departments whose services include both addiction treatment and general mental health. DAODAS reported that there are only three states other than South Carolina with "stand alone" agencies providing addiction treatment and related services.

Recommendation: ***The following two alternate courses of action should be further explored:***

Create the Division of Substance Abuse and Addiction Services reporting to the Secretary of Health and Human Services. Included in this division are the following:

- ✍ The current Department of Alcohol and Other Drug Abuse Substances
- ✍ The Morris Village and William S. Hall addiction programs currently in the Department of Mental Health
- ✍ The Palmetto Center and Homesview Center currently in the Vocational Rehabilitation Department

The Division of Substance Abuse and Addiction Services should continue the DAODAS privatization model using local agencies throughout the state to provide community-based addiction treatment services. In addition, the Morris Village and William S. Hall addiction programs and the Palmetto Center and Homesview Center should be further investigated as to the applicability of privatization to a local service provider.

Vocational Rehabilitation should purchase required services from the newly created Division of Substance Abuse and Addiction Services.

-OR-

Consolidate the Department of Alcohol and Other Drug Abuse Services and the inpatient addiction treatment services of the Vocational Rehabilitation Department within the Department of Mental Health. Vocational Rehabilitation should purchase required services from the Department of Mental Health.

Potential Fiscal Impact: Approximately $ 1.5 million in state funds

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Public Education Cluster

Finding: **The public education reporting structure is fractured and there is no one individual accountable. It is generally held that the Governor should be the single point of accountability for public education in the state.**

Six previous restructuring studies and the South Carolina Education Oversight Committee have recommended that the Superintendent of Education should be an appointed position of the Governor with the advice and consent of the Senate. The current Secretary of Education also concurs with this recommendation.

Recommendation: **A constitutional amendment should be proposed that would change the position of the State Superintendent of Education from an elected office to an appointed office. The cabinet secretary should be appointed by the Governor, with the advice and consent of the Senate.**

Minimum qualifications for the cabinet secretary should be set forth in legislation to insure that the secretary is an expert in the field of education.

Potential Fiscal Impact: The primary fiscal impact will come from consolidating the Department of Education with the resource schools. Please see the recommendation below.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **The State has three "resource" schools that are underutilized resulting in high dollar expenditures per student. In some cases, citizens are not taking advantage of these important resources because they are not aware they are available to them.**

Students being served at the Wil Lou Gray Opportunity School come from the federal Youth Challenge program. The Youth Challenge program is currently administered by the Adjutant General's Office. There is a duplication of administrative services by the school and the Adjutant General's Office. The cost per student is approximately $10,000 per year.

The John de la Howe School houses and serves children who are experiencing difficulties to the extent that planned separation is necessary. The program, which generally serves students for one to two years, works with the students to meet their academic, behavioral and therapeutic needs, thus preparing them to deal with problems they will face when they return to their homes and regular classroom settings. The school also works with parents to help them develop skills necessary for appropriate family relationships. The school, which is the third largest employer in McCormick County, is greatly under-utilized resulting in a cost per student of approximately $70,000 per year.

The School for the Deaf and Blind in Spartanburg serves students who are deaf and/or blind and also students with multiple handicaps. The school can serve 320 residential students. It also serves students in all counties of the state through its seven regional outreach offices. Although costs per

student seem reasonable in comparison to peer institutions, there remains a large unmet need that could be supplied by the school both directly and as a service to school districts, especially in the areas of early intervention and students with multiple handicaps. Many parents who use the services of the School for the Deaf and Blind have indicated that they would have used those services earlier if they had been aware of them.

Recommendation:

? **The three "resource" schools should come under the State Superintendent of Education. This will facilitate the elimination of administrative costs and reduce the cost of serving students. This will also encourage the Department of Education and local school districts to make parents aware the schools are available.**

? **If the utilization of the John de la Howe School cannot be substantially increased, consideration should be given to merge its students into the Wil Lou Gray Opportunity School.**

? **The General Assembly should pass legislation to designate the John de la Howe School as the alternative sentencing option for Family Courts for non-violent offenders, including truants and to give first priority for admission to the school for students sent by the Family Courts.**

? **The Forestry Commission should manage and sell timber on the forested portions of the John de la Howe land, and money resulting from such sales should be placed in the General Fund.**

? **A review should be made of the employees who are provided houses free-of-charge to live in while employed at the John de la Howe School. At present, each person provided an on-campus house pays only a partial cost of electricity.**

Potential Fiscal Impact: Consolidation of administrative functions and increased utilization of the resource schools could save the state between $2.3 - $2.7 million in state funds.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *Existing education legislation and regulations are acting to diffuse focus.*

In an effort to improve education, numerous state laws and State Department of Education regulations have been approved over the years. These mandates have made the educational process cumbersome due to sometimes duplicative or contradictory direction resulting in unintended consequences.

Recommendation: *The Education Oversight Committee and the Legislative Audit Council should review all existing legislation and regulations and recommend cohesive strategic legislation.*

Finding: **There is a gap between the education that high school students have entering postsecondary education and the expectations of postsecondary instructors. A similar gap in expectations exists with the business community.**

High school graduates entering higher education institutions are not as prepared as they should be. Core curriculum high school studies should be correlated to postsecondary instructors' expectations course by course to better prepare students for college. The curriculum should also address expectations of the business community including mastery of "soft skills" like teamwork and work ethic.

Recommendation: **A legislative mandate is needed to ensure high school teachers, college instructors and business organizations collaborate on a plan that will allow graduating high school students' proficiency to meet expectations of the colleges and universities as well as the business community. A formal plan complete with minimum expectations should be established.**

Potential Fiscal Impact: No implementation costs but a significant long term economic benefit to the state.

Lead Authority: Department of Education and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **Taxpayer dollars are being spent to maintain multiple school districts in many counties.**

The duplication of overhead in counties with multiple school districts provides a leverage point for fiscal efficiency. The reduction in duplication of overhead expenses would make more funding available for education.

Recommendation: **In an effort to have an adequate and efficient distribution of funds for all schools statewide, there should be some consolidation of the state's 85 school districts. The General Assembly should initiate legislation that defines appropriate criteria and timelines for the consolidation of school districts.**

Potential Fiscal Impact: If the school districts of the state could be combined to yield no districts of less than 2,500 pupils (but no more than 25,000), the total educational cost for the state would be reduced by approximately $26 million.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session with reasonable time period for districts to consolidate.

Finding: **There is duplication of communication services between S.C. ETV and some educational institutions. S.C. ETV is also underutilized by state agencies and other public entities.**

S.C. ETV offers its service at a fraction of the cost of private vendors, thus saving the state and other public agencies money. With public broadcasting controlled by ETV, duplicative services can be eliminated, thus saving the state millions of dollars in equipment being purchased and employees hired by state agencies, universities, schools and colleges.

Recommendations: *S.C. ETV should become part of the Public Education cluster.*

State colleges, universities and public schools that do not have pre-existing facilities should be strongly encouraged to work with S.C. ETV regarding public broadcasting.

S.C. ETV needs to be more aggressive in marketing its services to state, county and municipal agencies.

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *A minimum qualification level does not exist for local school board officials. In addition, there is no required training to enable them to maintain and improve their effectiveness.*

Local school board members throughout the state are elected without regard to possessing a minimum level of qualifications. Requiring a minimum level of qualifications supplemented with training focused on improving their job effectiveness is one step in improving the educational system in our state.

Recommendation: *All local school board members should receive appropriate training related to their position.*

Potential Fiscal Impact: No short-term dollar impact but of strategic importance to improving the educational system.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Information Technology Cluster

Finding: *The management of information technology is spread throughout state government resulting in a serious lack of accountability. This which leads to duplication of effort that is both unnecessary and costly and, at the same time, less than an optimal delivery of services.*

Recommendation: *The Division of Chief Information Officer in the Budget and Control Board should be transferred to the governor's office and the position of the Chief Information Officer should be appointed by the governor.*

Potential Fiscal Impact: See projected fiscal impact in the Information Technology Committee's report.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Consumer Affairs/Human Affairs/Labor, Licensing and Regulations Cluster

Finding: *Due to the similarities between the Department of Consumer Affairs, the Human Affairs Commission and the Department of Labor, Licensing and Regulations, bringing them together under a cluster with a common administrative organization will provide opportunities to reduce cost and provide better service.*

Recommendation: *The Department of Consumer Affairs, Department of Labor, Licensing and Regulation, and the Human Affairs Commission should be clustered reporting to a cabinet secretary appointed by the Governor with the advice and consent of the Senate. Our recommendation implies a common administrative organization but not a consolidation of the agencies at this time.*

Potential Fiscal Impact: Approximately $500,000.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Department of Insurance Cluster

Finding: *The American Disabilities Act has eliminated the need for the Second Injury Fund to encourage employers not to discriminate in hiring and retaining employees with disabilities.*
The Second Injury Fund was created to encourage employment and retention of disabled persons by protecting employers from excessive workers' compensation costs when a disabled employee is injured on the job. The American Disabilities Act has eliminated much of the need for the Second Injury Fund. Most states have eliminated this type fund, which was once common. The Accident Fund is paying a contractor to process claims on the Second Injury Fund. Unfunded liabilities are approximately $250M.

Recommendation: *Eliminate the Second Injury Fund and fold any residual functions into the Department of Insurance Cluster.*

Potential Fiscal Impact: Since the cost of administrating the fund is charged to the insurance carriers, there is no direct savings to the State; however the majority of the $1.7 million per year required to administer the fund will accrue to employers in the form of reduced premiums.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **The State Accident Fund, the Insurance Reserve Fund and the State Employee Insurance Program serve the function of insurance providers to state agencies and employees but are not subject to the same oversight as private insurance companies.**

The State Accident Fund, the Insurance Reserve Fund and the State Employee Insurance Program charge premiums to other state employees and agencies and have a substantial amount of autonomy for the rates they charge.

Recommendation: **In order to make these insurance-providing programs more accountable to their own customers and the citizens of South Carolina, give the Department of Insurance oversight of the rates they charge.**

Potential Fiscal Impact: Fiscal impact is difficult or impossible to predict. However, in difficult financial times, this structure will provide more incentive for the programs to look at their expenses for cost savings – as opposed to premium rates – for revenue increases, than the current structure.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **There is a nationwide trend for state insurance departments to become self-funded through fees charged to the insurance industry.**

Recommendation: **The Department of Insurance should become a self-funded agency through fees charged to the insurance industry.**

Potential Fiscal Impact: In the 2002-2003 budget, $4,591,020 was appropriated to the Department of Insurance from the General Fund. It is possible all that could be saved if the department were self funded. However, insurance taxes already go into the General Fund in the amount of $117 million, so there would no savings if the self funding were accomplished by DOI simply keeping more of the taxes and fees it currently charges. Therefore, depending on how the self funding is accomplished, the fiscal impact of self-funding the DOI would be from $0 to $4.6 million.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **Estimates are that 30% of worker's compensation claims and medical claims are fraudulent. The Attorney General's office stated that it had received 607 complaints so far this year. The office has entered into 29 civil Memoranda of Understanding, and 38 guilty pleas have been entered. Of the 607 complaints received, the total amount of fraud reported equaled $2,101,605.28. (The actual figure is probably much higher because most of the complaints don't have an amount of fraud on them when they are received.) The Department of Insurance believes that with a dedicated unit they could double the state's efforts to collect on fraudulent activities.**

Recommendation: **Create an Insurance Fraud Division within the DOI. Estimates are that 30% of worker's compensation claims and medical claims are fraudulent. It is estimated that the number of fraudulent claims can be reduced to 5%. Also give the DOI oversight of the rates charged by the State Accident Fund, the Insurance Reserve Fund and the State Employment Insurance Program.**

Potential Fiscal Impact: $ 4 million per year

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **There is some evidence that bringing the Workers' Compensation Commission into the Insurance Cluster and consolidating administrative functions could provide opportunities to reduce cost and provide better service.**

Recommendation: **Commission a study to quantify the benefits of bringing the Workers' Compensation Commission into the Insurance Cluster.**

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Department of Administration Cluster

Finding: **Common administrative functions exist throughout the Executive Branch, including the Budget and Control Board, which results in a serious lack of accountability and leads to duplication of effort that is both unnecessary and costly.**

Recommendation:

- ✎ **Create the Department of Administration Cluster (DA) to provide services to other agencies within state government. The DA is a cabinet level department with the director appointed by the Governor with the advice and consent of the Senate.**

?? ***The General Services Division, Insurance Reserve Fund, Office of Human Resources, Retirement Division, State Employee Insurance Programs and Procurement Services Division should be transferred from the Budget and Control Board to the Department of Administration.***

?? ***Establish a new division for Facilities and Capital Asset Management as part of the Department of Administration.***

?? ***Establish a new division for Transportation Services Management comprised of:***

   a. ***Human Services Transportation Management***

   b. ***School Bus Transportation***

   c. ***Vehicles and Maintenance***

   d. ***State Travel Office (should pursue privatization of travel contracts based on negotiated prices)***

   e. ***State Fleet Management***

   f. ***Aeronautics Operations Management***

?? ***The State Accident Fund (SAF) should be included in the Department of Administration Cluster and managed with the Insurance Reserve Fund.***

Potential Fiscal Impact:

?? Potential fiscal impact associated with the General Services Division is included in reports from the Human Resources Committee and Procurement Committee

?? Potential fiscal impact for the Facilities and Capital Asset Management division is included in the Facilities Committee's report

?? Potential fiscal impact for the Transportation Services Management division is included in the Transportation Committee's report

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: ***The Patient's Compensation Fund (PCF) has an increasingly large unfunded liability that is part of an emerging medical malpractice crisis.***

The Fund is a last resort for health care providers that cannot otherwise obtain malpractice insurance and was created in 1976 to address a medical malpractice insurance crisis for licensed providers. The number of insurance providers is again decreasing and the cost of insurance is becoming prohibitive for some specialties, such as OB/GYN.

There are only six other states that have excess malpractice funds, of which:

- ✍ Four are under state insurance departments and two are independent agencies like South Carolina.

- ✍ All maintain reserves many times greater than South Carolina (on a population adjusted basis).

- ✍ Pennsylvania operates on a pay-as-you-go basis with mandatory membership.

- ✍ Wisconsin is the only other state with unlimited liability.

The State has, in a 1999 informal opinion from the Attorney General, taken the position that it is not liable for PCF's liability; yet it established the agency, exerts control and has used its funds, which under the theory of substance over form, means that the State does, in fact, have responsibility. Even if the State were not legally responsible, it would still have the practical obligation in that there is no other party to bridge the gap as medical costs spiral up and insurance carriers depart, as they are doing. The State will eventually have to assume responsibility for the unfunded liability which is increasing and currently stands at $133 million ($205 million liability less $72 million in reserve). This unfunded liability is increasing at the rate of approximately $45 million per year. Claim payments are doubling about every 3 years and have increased 15 fold in 10 years. PCF is not included in the State's Insurance Reserve Fund, which carries reinsurance. Until such time as the State addresses tort reform including setting caps, rates for medical malpractice will rapidly increase, the State's financial risk will continue to accelerate and the ability for its citizens to obtain medical services will be increasingly at risk.

Recommendation: *Patient's Compensation Fund (PCF) should be folded into the Administration Cluster and eliminated, if and when serious tort reform is enacted.*

Potential Fiscal Impact: The savings associated with addressing this issue in a timely manner is a cost avoidance equal to the $45 million rate at which the unfunded liability is increasing each year.

Lead Authority: The General Assembly should address the medical malpractice crises.

The Comptroller General should address the unfunded liability

Estimated Timeline for Implementation: 2004 Legislative Session

Department of Commerce

Finding: *The Office of Local Government/Infrastructure with the Budget and Control Board and the Jobs -Economic Development Authority appear to have significant synergies with the Department of Commerce. Consolidation of their administrative functions will reduce costs.*

Recommendations: *The Jobs-Economic Development Authority should be moved to the Department of Commerce.*

There appears to be merit for relocating the Office of Local Government/Infrastructure Finance to the Department of Commerce but further study is required before a firm recommendation can be made.

Potential Fiscal Impact: $250,000

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Natural Resources Cluster

Finding: **The Department of Natural Resources, the Forestry Commission and the Conservation Bank Board have synergies such that clustering them under a single point of accountability will improve operating effectiveness and reduce cost.**

While the Department of Natural Resources is accountable directly to the Governor, the Forestry Commission and the Conservation Bank Board are directly accountable to their boards and commissions whose members are appointed or selected by different methods. This results in a serious lack of accountability, which can lead to duplication of effort that is both unnecessary and costly. Administrative services can be consolidated to reduce costs.

Recommendation: **The Natural Resources cluster should be a cabinet level department headed by a secretary appointed by the Governor with the advice and consent of the Senate.**

The following existing agencies should be included in the cluster:

- Department of Natural Resources

- Forestry Commission

- Conservation Bank Board

Administrative functions within the cluster should be consolidated to the maximum extent possible to reduce costs.

The Commission recognized there is substantial merit to moving the Environmental Quality Control and Ocean & Coastal Resource Management divisions of DHEC to the Natural Resources Cluster, while leaving the Health Services and Health Regulations functions of DHEC in the Health and Human Services Cluster, but believes further study is needed before this could be submitted as a recommendation

Potential Fiscal Impact: Approximately $700,000

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Public Safety Cluster

Finding: *The Department of Public Safety, the State Law Enforcement Division, the Department of Corrections, the Department of Probation, Parole and Pardon Services and the Department of Juvenile Justice should be clustered together with consolidated administrative functions to reduce cost and improve operational efficiency. The Departments of Corrections and Probation, Parole and Pardon Services should be merged and consolidated.*

The terrorist attacks of September 11th dramatically changed America and South Carolina. The role of law enforcement in combating terrorism also changed on September 11, 2001. South Carolina must now plan to prevent, prepare and respond to the threat of terrorism. Greater coordination and communication between those agencies that are commonly placed in the public safety cluster will greatly benefit the citizens of South Carolina. Also, significant cost savings are attainable through a consolidated procurement system, a vehicle maintenance program, a vehicle procurement program and other administrative functions.

Forty states have now unified the departments of corrections and probation, parole and pardon services to ensure that the organization responsible for making probation and parole policies is also responsible for the consequences of it.

Recommendations:

? *The existing Department of Public Safety, State Law Enforcement Division, Department of Corrections, Department of Probation, Parole and Pardon Services and the Department of Juvenile Justice should be moved to the newly created Public Safety Cluster. The newly created Public Safety Cluster is a cabinet level department with the secretary appointed by the Governor with the advice and consent of the Senate. We are not recommending merging these agencies at this time, other than the Department of Corrections and the Department of Probation, Parole and Pardon (see forthcoming recommendation), but rather placing them under a single point of accountability with a consolidated administrative function. The Criminal Justice Academy should either report directly to the cabinet secretary or to SLED, with the director of the CJA appointed by the governor.*

? *The Public Safety Cluster should continue and expand its collaboration and coordination efforts between the Department of Natural Resources and the Department of Health and Environmental Control in the areas of drug enforcement and anti-terrorism.*

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *There is concern that there has not been an accurate accounting of monies that various public safety agencies receive through Circuit, Magistrate and Municipal Court assessments and fees.*

A number of agencies (e.g., the Department of Public Safety, the Department of Probation, Parole and Pardon Services and SLED) receive a large portion of their funding through Circuit, Magistrate and Municipal Court assessments and fees. The Commission found that the problems with the collection and remission of court fees and assessment continue to be a major concern of those agencies that depend on those revenues for operating their agencies. The current system, which was created over a period of many years in piecemeal fashion, has few controls over accountability and is complex and confusing to most governmental entities charged with administering it.

Recommendation: **The current system of collecting and disbursing court fees and assessments should be streamlined, simplified and unified.**

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: **The South Carolina Department of Corrections (SCDC) operates 29 prisons throughout the State; has 5,562 employees, has jurisdiction over 24,290 inmates and has annual expenditures of $290 million. The daily per inmate cost (FY 2001) is $46.78. Between 2000 and 2003, SCDC annual admissions increased by 2,500.**

During FY 2002, 899 inmates were admitted to SCDC for probation revocations for technical violations (i.e., no new crimes). An additional 1,091 inmates were admitted to SCDC for parole revocations for technical violations - again, no new crimes.

Recommendations: **Legislation should be developed that would remove non-violent offenders, or some identifiable group of non-violent offenders, from the jurisdiction of the Adult Parole Board. The legislation would authorize SCDC to make release determinations on these offenders.**

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: The consolidation of the Department of Corrections and the Department of Probation, Parole and Pardon Services would substantially reduce administrative costs and improve accountability, ensuring that the person making probation and parole policies is also responsible for the consequences thereof.

As noted by the South Carolina Commission on Government Restructuring in its 1991 report entitled, "Modernizing South Carolina State Government for the Twenty-First Century":

"The Commission on Restructuring found that many of the programs operated by these agencies held similar themes which supported the agencies' policy objectives, mission statements, and their statutory mandate to provide these services."

The Commission also found that consolidation of correctional agencies would, "…provide the Governor, the General Assembly and the State with the necessary mechanism to establish a unified, manageable system of correctional services and would allow for the coordination and cooperation of all correctional agencies by providing a forum for discussion of a comprehensive correctional system."

Forty states have a unified system of corrections and probation and parole.

Recommendation: *The Department of Corrections and the Department of Probation, Parole and Pardon Services should be consolidated.*

Potential Fiscal Impact: $1.5 – $2.0 million

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *During FY 2001-02, 155 juveniles referred to the Department of Juvenile Justice (DJJ) were placed in marine/wilderness programs as an alternative to commitment. An additional 374 juveniles who were committed to DJJ were transferred to wilderness programs. DJJ operates 10 wilderness camps/marine institutes around the state. DJJ, the Adjutant General's Office, John de la Howe School and Wil Lou Gray Opportunity School are operating Wilderness camp programs that target at-risk youths. In order to ensure that these programs are operated consistently and efficiently, there should be strong coordination and collaboration among these agencies.*

Recommendation: *All "wilderness" programs that target at-risk youths within the Adjutant General's Office, John de la Howe School, Wil Lou Gray Opportunity School and those at the Department of Juvenile Justice should be administered by the Department of Juvenile Justice.*

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *The Department of Juvenile Justice's (DJJ) schools must operate much longer than schools in the community; consequently, because of the funding mechanism currently in place, DJJ has the poorest school district in the state.*

The Department of Juvenile Justice (DJJ) operates its own school district with fully accredited academic programs at Birchwood, Willow Lane, John G. Richards, the Greenwood Center, satellite programs at the three evaluation centers, the Detention Center and Wilderness Camps, Marine Institutes and group homes. The school district also offers vocational courses, school to work development courses and extensive special education services.

Currently DJJ and non-DJJ school districts are funded based on the same funding stream formula. Schools in the community have a fairly stable census after school starts; at DJJ the school census grows continuously throughout the year and reaches its highest point near the end of the school year. Also, schools in the community are funded based on a 190-day school year; DJJ's school must operate much longer than schools in the community; consequently, because of the funding mechanism currently in place, DJJ has the poorest school district in the state.

Recommendation: *Exceptions to these formulas should be made for the unique school districts operated by DJJ and the South Carolina Department of Corrections.*

- Amend all current education funding stream formulas, including EFA and EIA, so that the DJJ school district is funded based on a 235-day school year.

- Establish a funding mechanism that provides for education funding to follow children committed to DJJ. Possible language is:
  Upon commitment or confinement to a Department of Juvenile Justice facility, the school district in which that child resides shall transfer a pro rata share of the district's local portion of the base student cost per school day for that student to the Department of Juvenile Justice for the time period in which the child is committed or confined to a department facility.

- Establish a funding mechanism that provides for child support monies to follow children committed to DJJ.

Potential Fiscal Impact: Approximately $1 million

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Finding: *The State is subsidizing counties for their use of juvenile detention centers.*

Section 14-1-208 (C) (11) provides that the Department of Juvenile Justice (DJJ) may not charge counties more than twenty-five dollars per day for using the Department's juvenile detention centers. The actual per day cost to DJJ to operate these juvenile detention centers exceeds twice this amount. The State is, in effect, subsidizing counties for their use of juvenile detention centers. This practice of subsidization encourages the counties to use the juvenile detention centers and provide no incentives for them to expand their own jail capacities or to develop alternatives to juvenile detention.

Recommendation: *The Commission believes that this subsidy to the counties should be further explored as to its desired intent and purpose.*

Potential Fiscal Impact: The specific savings derived depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Department of Agriculture

Finding: **It is not cost effective for the Department of Agriculture to inspect all fuel dispensers and other weighing and measuring devices.**

Over 110,000 fuel dispensers were inspected by the Department of Agriculture during Fiscal Year 2001-02. A more cost-effective method of ensuring that fuel dispensers, as well as all other weighing and measuring devices, are accurate would be to require the industry itself to self-audit its fuel dispensers and other weighing and measuring devices with the Department of Agriculture checking representative samples. Currently, the Department of Agriculture does not have the authority to levy fines in cases of abuse.

Recommendation: **The Department should check a representative sample of these fuel dispensers, weighing and measuring devices instead of checking all devices.**

The Department should be granted authority to levy fines in cases of abuse. The Department of Revenue should be responsible for the collection of these fines and should retain an appropriate percentage to cover the cost of collecting these fines. The Department of Agriculture should also receive an appropriate percentage of all fines collected. The balance of fines collected should be deposited into the General Fund.

Potential Fiscal Impact: Approximately $223,047 could be saved annually.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Employment Cluster

Finding: **Employment related functions for the benefit of South Carolina's citizens are provided by several state agencies whose members are appointed or selected by a variety of methods. Bringing these agencies together under one cabinet secretary will reduce costs, increase accountability and improve service.**

The South Carolina Employment Security Commission Employment, the South Carolina Vocational Rehabilitation Department and the Commission for the Blind have as their focus employment related services. Clustering these agencies so that their administrative functions are consolidated will reduce costs and increase operational efficiency.

Recommendation: ***Agencies that provide employment related services should be clustered reporting to a cabinet level secretary appointed by the governor with the advice and consent of the Senate.***

These agencies include:

    ✍ South Carolina Employment Security Commission

    ✍ South Carolina Vocational Rehabilitation Department

    ✍ Commission for the Blind (or placed in the Human Services cluster)

It is not the intent of this recommendation for the agencies to be merged other than the consolidation of their administrative functions.

Potential Fiscal Impact The specific savings derived depends on how many of these steps are implemented.

Lead Authority: Governor and General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

Culture Cluster

Finding: ***At this time the cost of putting the agencies that comprise the Culture Cluster – the Arts Commission, State Library, State Museum and the Department of Archives and History - under a cabinet secretary out-weighs the benefit. However, more visibility within state government leadership is desirable and consolidation of some administrative functions is possible.***

Those agencies that comprise the Culture Cluster are administered by boards and commissions whose members are appointed or selected by a variety of methods. These boards and commissions are a great mechanism for citizen involvement.

Recommendation: ***Consider consolidating the administrative functions of the agencies in the Culture Cluster.***

Potential Fiscal Impact: Estimated savings of $400,000.

Lead Authority: General Assembly

Estimated Timeline for Implementation: 2004 Legislative Session

BUDGETING, FINANCE AND ACCOUNTING

INTRODUCTION

The Budgeting, Finance and Accounting Committee is one of ten committees established to support the efforts of the Governor's Commission on Management, Accountability and Performance (MAP Commission). Each of the ten committees was organized to focus on a different functional area that impacts the way state government operates and provides services to the people of South Carolina. These functions include the areas of managing facilities, transportation, information technology, procurement, human resources, public safety, financial resources and the like.

The MAP Commission was established on June 10, 2003, by executive order of South Carolina Governor Mark Sanford. The 14-member commission is composed of 12 prominent businesspersons plus the state's Lieutenant Governor and Comptroller General. The Governor asked the MAP Commission to perform a comprehensive examination of state government in order to recommend changes that would "reduce costs, increase accountability, improve services, consolidate similar functions, return functions to the private sector and help South Carolina be more competitive in a world economy."

The commission focused on what it believed to be a number of critical issue areas pertaining to topics dealing with the fiscal or financial management of state government. Its major focus extended to matters of revenue forecasting, operational budgeting, capital budgeting, managing cash flow, controlling deficits and dealing with various significant accounting practices.

State government has a budget of some $15.4 billion for the current fiscal year (FY 2004). This total budget consists of roughly $5.0 billion in state general funds, $5.1 billion in federal monies and $5.4 billion from other sources of funds. In the past few years the state has poorly predicted revenues, yet has based its budget decisions on its defective revenue predictions. The magnitude and timing of mid-year, across-the-board budget cuts that have been necessary in the recent past are the result of these defective predictions:

- 1% in FY 2001
- 5% in FY 2002
- 8% in FY 2003
- 1% in FY 2004 (to date)

The mid-year, across-the-board budget cuts have had to be initiated earlier and earlier for each recent fiscal year:

- November in FY 2001
- October in FY 2002
- September in FY 2003
- August in FY 2004

These unfavorable trends or developments are warning signs of flaws in the state's budgeting and financial management practices. Ignoring the probable causes of these flaws will likely assure that they continue to trouble the state.

The commission has identified a number of areas in which the management of the state's financial resources should be improved, savings could be realized, and fiscal policy could be significantly enhanced. This is especially true with regard to the state's forecasting revenues, controlling budget deficits, budgeting for operations and for capital projects and managing cash flows.

With ten participating business community members who were supported by numerous experienced state staff, the committee received presentations from the state's Chief Economist and the state's Comptroller General. The committee also studied best practices from other states, researched available literature and performed a thorough analysis of all the data prior to reaching its conclusions and finalizing its recommendations to the full MAP Commission.[8]

The recommendations that follow in this report constitute the collective views of the members of the committee and the full MAP Commission. While there were some differing judgments on certain issues, the recommendations represent—overall—a significant consensus based on a comprehensive review process carried out over several weeks.

F INDINGS & R ECOMMENDATIONS

Finding: **The accuracy of revenue forecasting is immensely important to the overall budgeting and appropriations process in South Carolina state government.**

Accuracy of the forecast, as a practical matter, is essential in determining precisely what monies will be available for expenditures in the upcoming year. Accurate forecasting is a critical, fiscal responsibility that is meant to protect the state against deficit spending.

There are constitutional and statutory restrictions against deficit spending by state government. Article X, Section 7(a) of the state constitution requires that the Legislature provide for a system to insure that annual expenditures of state government not exceed annual revenues. In addition, Section 11-11-140 of the S.C. Code of Laws requires that the budget be balanced. The Bureau of Economic Advisors (BEA) has a central role both in creating a balanced budget and in keeping it balanced.

"In 1973, the Budget and Control Board established the BEA to prepare and review economic forecasts and general fund revenue projections and to advise the Budget and Control Board and the General Assembly on these matters. As amended in 1992, membership on the BEA is as follows: one member appointed by the Governor to serve as chairman, a member appointed by the chairman of the Senate Finance Committee, one member appointed by the chairman of the House Ways and Means Committee and a representative of the Department of Revenue who serves ex officio as a non-voting member." (Retrieved August 26, 2003 at http://www.state.sc.us/bea/bdecadv.html)

The chairman of the BEA reports directly to the Budget and Control Board to establish policy governing economic trends. Serving as head of the BEA staff is the Chief Economist who is appointed annually by the Executive Director in consultation with the BEA chairman." (Ibid.)

"As the chief economic advisor and general economic consultant to the state, the BEA performs a number of functions. One of its primary responsibilities is the revenue forecasting function. This involves the projection, formulation, evaluation and continuing review of revenues for all state programs as well as economic research, collection, analysis, interpretation and presentation of data pertaining to matters relative to the economy." (Ibid.)

Recommendation: **Expand the discussion of the logic underlying the forecasting methodologies of the BEA.**

---

[8] The commission recognizes and supports many of the findings and recommendations of the final report of the Governor's Budget Policy Task Force of January 27, 2003. The executive summary of the Budget Policy Task Force's final report is reprinted in Appendix 2.

The commission acknowledges the BEA's central role in the proper operation of state government. However, certain structural and procedural changes should be made to further increase the value of the important role of the BEA and its staff. In particular, the committee finds that the forecasting methodologies used by the BEA are ambiguous and thus not well understood by key policy makers, lawmakers and the public at large. Generally, economic assumptions are not clearly correlated with revenue estimates, and extrapolations seem overly subjective thereby producing limited understanding of the actual estimates. Any lack of understanding of the estimates discourages meaningful debate or dialogue among public officials, thus limiting the benefit and utility of the estimates.

The commission believes that each forecasted revenue estimate should be accompanied by a narrative explanation, in layman's terms, that more clearly defends how the estimates were derived. This explanation should include an expanded discussion of the underlying logic applied to generate the estimate of general fund revenues and should be published on the Internet for convenient public access. Appropriate supporting documentation should be made available as well.

> **Finding:** *The BEA's forecasting methodology is not clearly understood by the information produced by BEA.*

Recommendation: *General Assembly to approve BEA forecasting methodology.*

The House Ways and Means Committee and the Senate Finance Committee should meet annually with the chairman of the BEA and the Chief Economist to discuss and approve the BEA's forecasting methodologies. Legislative approval of the forecasting methodology would ensure that the leadership of each finance committee would have an understanding of the way in which the forecast estimate was attained. This would foster awareness and confidence in the forecasting methodology and would allow committee members to evaluate the BEA's performance in a much more informed manner than is currently possible.

Related to this recommendation, the commission believes that revenue forecasts should be conservative in nature and therefore should be chosen from the conservative end of the range of the BEA's estimates. The BEA should make every effort to provide a forecast estimate that acknowledges both the slow economy and recent revenue shortfalls.

> **Finding:** *While the commission feels that the structure of the BEA is fundamentally sound, the BEA functions effectively only when its members adhere to professional rather than political imperatives.*
>
> The commission recognizes that there are no minimum qualifications nor are there requirements that BEA members possess any specific expertise in economics or revenue forecasting. The committee firmly believes that the most critical qualifications that members of the BEA should possess are strong analytical skills for using the economic data produced by the BEA staff, keen business insights that are in tune with prevailing or emerging economic conditions, and, most importantly, unflinching independence from undue political influence.

Recommendation: *Appointing authorities should agree upon and provide BEA members with appropriate written guidelines.*

The commission recognizes that current BEA appointees are serving the public admirably, as have most other previous appointees. Yet to minimize the ordinary potential for politicizing BEA appointments, appointing authorities should promulgate written guidelines that emphasize the need for appointees to be independent in fact and appearance and to commit that when revenue forecasts are provided, those forecasts be derived from the conservative end of the range of their estimate. Serious financial hardships often result from relying upon optimistic revenue forecasts that might result from emphasizing political considerations over both professional competencies and economic realities.

> *Finding:* **The timing of the BEA's official revenue revisions has been a problem, especially in recent years.**
>
> This problem flows from the fact that the BEA, under the current law, is required to meet only quarterly (unless a special meeting is called by the Governor, General Assembly or any member of the BEA), at which time it may review its official revenue estimate for the current fiscal year. More frequent meetings – at least monthly – would permit a faster response to any needed deficit reduction. Hence, the Budget and Control Board could react, if necessary, in a timelier manner to institute mid-year reductions in response to reduced official revenue projections. Under the current operations of the BEA, its staff produces monthly revenue collection status reports.

Recommendation: **Convene monthly BEA meetings to review revenues relative to the certified estimate.**

However, the commission believes that the BEA itself should meet monthly to issue official updates based on emerging trends identified in its monthly staff reports.

> *Finding:* **The committee finds that during the appropriations process of the General Assembly, the Chief Economist is asked on occasion to certify revenues due to emerging legislation and amendments to the appropriation bill.**
>
> Certification of revenues "on the fly" impinges on the integrity of the revenue forecasting process. Additionally, these revenue adjustments to the official BEA estimate puts the Chief Economist in the precarious position of acting independent of the BEA and its formal review process.

Recommendation: **Eliminate certifying revenues "on the fly."**

The commission believes that the official BEA revenue estimate of February 15th each year should remain intact for the remainder of that year's appropriation process unless the BEA subsequently meets to certify a decrease in its February 15th estimate. The commission recommends that any provision which may increase or decrease the BEA's most recent official projection of general fund revenues, which is offered for inclusion in the annual general appropriations bill by amendment or through the report of the conference committee on the general appropriations bill, must not be included in the bill unless the revenue impact is officially reviewed by the BEA and certified by the chairman of the BEA.

Complying with Constitutional Requirement for Balanced Budgets

> *Finding:* **The state has two constitutionally established reserve funds. First, the General Reserve Fund (GRF) is a fund set aside equaling a maximum of three percent of the general fund revenues of the latest completed fiscal year. The GRF is a mechanism for covering year-end operating deficits should they occur. Second, the Capital Reserve Fund (CRF) is a fund equal to two percent of the general fund revenues of the latest completed fiscal year. While the CRF is authorized for use to offset any mid-year budget reduction, it is a fund that is intended to finance capital improvement projects, retire bonds previously issued, or pay for other non-recurring items if not needed for deficit reduction.**

Recommendation: **Increase the Capital Reserve Fund from 2% to 3%.**

Over the past few years the CRF has been used for deficit reduction only. However, the size of the CRF has not been sufficient to adequately protect the state against recent operating deficits. As such, one remedy that the commission strongly recommends to address this shortcoming is to increase the CRF from 2% to 3%. Increasing the CRF will permit the state to more realistically manage state spending in relation to fluctuations in the economy. For implementation purposes, the committee also recommends that increases to the CRF be made incrementally over a maximum of four years so as not to be overly burdensome on state revenues.

> *Finding:* **The underlying rationale behind this recommendation is that during prosperous times, when personal income is abnormally high, the state should conserve. By conserving in such times, funds will be available during periods of recession when government spending is more effective and less inflationary. The committee notes that over half the states have adopted some kind of limit on either spending or taxes. Our current limit, far from being a real constraint, is referred to in national reports as a good example of how a spending limit does <u>not</u> work.**

Recommendation: **Enact more rational and focused spending limitations based on a combination of growth in the state's population and growth in the CPI.**

Rather than to continue applying a growth factor on personal income to calculate the spending limitation, the commission recommends that the spending limitation be based on a combination of growth in the state's population and growth in the CPI. Revenues received below the spending limitation should be allowed to be spent on recurring and non-recurring operating expenditures, including the full restoration of the CRF if necessary. Revenues received above the spending limitation should be restricted for use first to immediately replenish the GRF to its prescribed maximum, if necessary, and thereafter to fund one-time, non-recurring budget items.

> *Finding:* **Annualizations[9], recurring expenditures funded with non-recurring monies, for FY 2005 are expected to total roughly $230 million.**
>
> The General Assembly has long appropriated recurring expenses with non-recurring dollars. Political leadership has long recognized this as a problem and has been working to reduce its occurrence.

---

[9] "Annualizations" are the funding of *ongoing* agency programs, services, and/or multi-year needs with *one-time* monies. In order for these agency programs to continue for more than a year, therefore, new funds have to be found each subsequent year.

Annualizations lock the state into permanent future funding obligations, as new funds must be found each year to accommodate recurring prior commitments that were made without any identified means of funding. Additionally, a growing reliance on annualizations deflates the budget in recessionary periods.

Recommendation: **Discontinue the practice of funding recurring expenses with non-recurring revenues.**

The commission recognizes that this high-risk practice often creates a problem that has been exacerbated during the recent economic downturn. Only recurring revenues should fund recurring expenses, and non-recurring revenues should be used only for one-time expenses. The committee strongly urges the General Assembly to permanently refrain from this inappropriately risky budget practice.

Finding: **In April 2002, the Supreme Court ruled that the Governor is not required to exercise his veto in a manner that results in a balanced budget.**

Governor Hodges' FY 2002 veto message contained vetoes of specific base-line reductions to the recurring budgets of state colleges and universities. The Governor's veto actions produced a net increase in recurring expenditures, resulting in the FY 2002 budget being $23 million out of balance.

Recommendation: **Prohibit gubernatorial line-item vetoes that cause a net increase in authorized appropriations over projected revenues.**

The commission finds this practice of using the gubernatorial line-item veto, while apparently approved by the judiciary, to be imprudent. The committee believes that a constitutional amendment should be sought to prohibit the exercise of gubernatorial budget vetoes that cause authorized appropriations to exceed projected revenue, in keeping with the obvious spirit of the constitutional prohibition that already exists against deficit spending generally.

Capital Budgeting and Planning

Finding: **The issue of capital budgeting was addressed extensively by Governor Sanford's Budget Policy Task Force Report of January 27, 2003.**

The commission concurs with the report's key finding: "The need for a more formal (less random) process of capital planning is urgently needed as the state approaches the ceiling on debt service expenditures." There are many other compelling justifications for capital budgeting.

Capital expenditures are commitments to future strategic initiatives and operating budgets. As such, the capital budget can be a precursor to the growth of the operational budget. Even so, while capital and operating budgets have linkages, an entity's annual capital budget should be separate from its operating budget. The capital budget should be separated from the operating budget in order to facilitate identifying all approved capital projects on an appropriate multi-year timeline and to permit identifying all necessary corresponding funding solutions.

Problems with Current Approach

- ✍ Lack of statewide standards and priorities for capital budgets (current capital planning policy is delegated to individual agencies, and is therefore ineffective from a state perspective);

- ✍ Lack of long-term capital needs assessment and planning;

- ✍ Lack of estimates of capital funds available during a multi-year time period to address the identified needs;

- ✍ Lack of coordination between the operating budget and capital appropriations/budgets;

- ✍ Proliferation of partially funded capital projects;

- ✍ Increasing amount of deferred maintenance not being addressed;

- ✍ Unrealistic estimates of project costs;

- ✍ Under funding of ongoing operational costs;

- ✍ True cost of capital that is invisible to agency managers and budget analysts;

- ✍ Failure to employ Capital Reserve Fund for its intended purpose – which if used as intended would decrease the volume of capital improvement (general obligation) bonds outstanding over time.

The capital budget should present a series of investment opportunities for which the operating return on the investment of capital is greater than the cost of that capital. The state currently has no effective capital budgeting process. The current approach is limited to compiling a "wish list" by agency or a list of projects authorized by a bond bill with little or no relation to the operating budget. This approach makes it difficult to determine the proportion of an agency's comprehensive capital needs that have been met.

Furthermore, the current approach does not permit for ranking the priority of a capital project in one agency against the priority of capital projects in other agencies even though all projects compete for the same limited state pool of funding. Moreover, this approach does not even permit ranking of capital projects within the same agency.

Recommendation: *Implement a statewide capital budgeting process.*

Amounts normally invested in capital assets are significant and have a long term impact on the state's operating budget. At a minimum, the state's annual capital budget should be subjected to the same review process as is its annual operating budget. A capital budgeting process should lead to multi-year planning with better opportunity for the public to review and critique the capital projects planned over the next three to five years.

Finding: *The state should establish a Capital Budgeting Authority to serve as a coordinating body to facilitate identifying and prioritizing the state's formal capital budgeting program.*

The Authority should be responsible for approving all major capital projects along with requests for funding whether through bonded indebtedness or appropriations. The Authority might logically consist of the five members of the Senate and the five members of the House that currently comprise the Joint Bond Review Committee, plus the Governor, Treasurer, Comptroller General, and two public/private members who would be appointed by and would concurrently serve with the Governor.

Recommendation: *Establish a state Capital Budgeting Authority.*

The Capital Budgeting Authority, supported by a small, high level staff, should analyze and challenge agency capital budget requests, and should recommend which requests should be funded. The Authority should also approve the acquisition or disposal of all real estate including leases.

Performance-based Budgeting

Finding: **In 2003, nearly all states are facing revenue downturns. In a recent report sponsored by the National Governors Association and the National Association of Budget Officers it was found that "…despite significantly curtailing state spending, 37 states were forced to reduce their enacted budgets by about $12.8 billion in fiscal 2002. About mid-way through the current fiscal year, 23 states plan to reduce their net enacted budgets by more than $8.3 billion." (Retrieved on September 3, 2003 at** *http://www.nga.org)*

Our state is among many states that are facing economic challenges and flattened revenues. South Carolina's current budget crisis is one of its largest ever. This is the fourth consecutive year of budget cuts, with next year's budget expecting to remain flat.

Recognizing that there is no rapid cure for the state's budget woes, it is generally agreed that some things can be done that would ease the current problems and set a precedence for improving future budget processes. One such proposal is that the state adopt some form of performance-based budgeting process. This is a major initiative of Governor Sanford that furthermore appears to have the support of many members of the General Assembly.

Performance-based Budgeting vs. Current Practice of Incremental Budgeting
Incremental budgeting
- Allows narrow, marginal discretion for spending
- Leads to incremental policy decisions
- Limits long-term planning

Performance-based budgeting
- Examines entire budget in a more substantive way
- Improves decision-making
- Focuses on a comprehensive analysis of objectives, needs and results
- Combines planning and budgeting into a single process
- Forces managers to evaluate the cost effectiveness of their operations in detail

In using performance-based budgeting, the state would examine an agency's entire base budget to substantively analyze all costs for each of its programs and services. Program managers would need to examine their current levels of effort, indicate the costs and defend the benefits of program activities, consider reduced spending, and address performance issues. As a result, the Governor and Legislature would have more complete and valuable data not previously available, and presumably be able to make more informed decisions about what is necessary and desirable among an array of literally hundreds of agency programs.

Recommendation: **Institute a performance-based budget system.**

The commission recognizes that the current budgeting process is out-dated and counterproductive. It is described in a publication of the University of South Carolina as "…for all its complexity, the state budget is traditionally built on the preceding year's appropriation's base. This incremental approach allows narrow, marginal discretion for the spending of state funds. This narrow discretion or emphasis is focused on new money alone, that is, on those funds that result from revenue growth over the previous year. Thus, public policy is made in incremental or successive steps, resting on decisions made in prior years."[10] This approach to funding state government should be reconsidered and performance-based budgeting, or some similar alternative, should be put into place. In this way, the state's budget can be examined in a more meaningful and substantive way each year.

Managing Cash Flows

Finding: **The indisputable need to improve the state's cash management practices is underscored by FY 2003's notable decline in general fund investment earnings. Annual investment earnings plummeted from $72.6 million in FY 2002 to an unexpected low of only $21.6 million ($51 million or 70% plunge) in FY 2003.**

Part of the decline in general fund investment earnings resulted from decreasing short term interest rates set by the Federal Reserve Board. For instance, average daily short term rates were 1.42% for FY 2003 while they were 2.31% for FY 2002. Accordingly, the lower rate environment for FY 2003 appears to have contributed much less than half of the $51 million drop in investment earnings from FY 2002 to FY 2003. The remainder of the $51 million plunge in investment earnings is attributable to a dramatic reduction in general fund cash balances available to invest.

A portion of that reduction of available cash balances would have resulted from the state's recent practices of depleting its reserve accounts each year and from raiding substantial balances from trust funds and accounts that had been earmarked for purposes other than general operations.

These dwindling cash balances would have contributed significantly to the state's plunging investment earnings in FY 2003. The effect of dwindling balances in these special categories also would have been accentuated by a general decline in normal operating cash balances. The unanticipated reduction in cash balances from all sources along with the decline in short-term interest rates combined to produce a significant plunge in investment earnings.

Recommendation: **Make deposits of state revenues expeditiously and disburse monies at appropriate times to maximize investment earnings.**

Every state agency must review its cash management procedures and assist with reversing this costly decline in the state's investment earnings.

The first rule of thumb for effective cash management is to convert idle funds into earning or investment status as quickly as possible. The rationale for this is self-evident; namely, the sooner money is deposited the sooner interest is earned. Thus, the committee believes that state agencies should be more cognizant of the importance of this action (the speedy deposit of monies) and its consequences. State agencies therefore

---

[10] Young, R. (1999). *A Brief guide to State Government in South Carolina.* Institute for Public Service and Policy Research. University of South Carolina: Columbia, SC, p.66.

should be required to transfer their collected revenues to the State Treasurer in the same day they are received by the agency.

Some of the larger state agencies already do this. Their best practices include the use of lockbox accounts, credit card acceptance for goods and services and electronic fund transfers.

In addition, disbursing funds at the appropriate time (neither early nor late) is also crucial in maximizing investment earnings. Hence, the second rule of thumb for effective cash management is to hold onto your money for as long as you can. Disbursement of payments should be timely enough to meet obligations, but should not be made early at the sacrifice of investment earnings.

On the other hand, all agencies should be directed whenever possible to vigorously seek discounts from vendors for early payment of all invoices. When offered discounts for early payment, agencies should schedule timely payment in <u>every</u> instance to earn those discounts <u>regardless</u> of how small the discounts may be.

The commission recommends that every agency be directed to more aggressively manage its disbursements. The objective should be either: to increase the state's receipt of early payment discounts, or to "time" disbursements to boost the volume and duration of balances available for productively investing.

Miscellaneous Recommendations

Finding: **The commission believes that agencies have no current incentives for trying to curtail their spending or to accumulate or preserve budget surpluses. To the contrary, the current system tends to reward agencies that fully spend surpluses. Furthermore, the system penalizes agencies that return surpluses by reducing their budgets in the next cycle by the amount of surplus they returned the previous year.**

As a result of these practices, in a down cycle managers are incented to tightly control expenditures early in the year in the event there may be subsequent across-the-board cuts. However, managers are also incented to spend late in the year by making discretionary and often non-essential expenditures simply to protect their agency's future budget levels.

Recommendation: **Manage agency surpluses more effectively and timely.**

While the General Assembly prepares the appropriation bill annually, the committee recommends that agency budgets should be funded on a quarterly basis only. A quarterly budgeting and funding approach for agencies would permit the state to capture surpluses as they occur each quarter. As a matter of fairness, any captured quarterly surpluses from an agency should be credited and used against an agency's mid-year cuts in the remaining quarters of the fiscal year, if cuts are needed. Captured agency surpluses, not subsequently needed to cushion an agency from mid-year cuts, should be considered favorably by the General Assembly in appropriating future surplus funds as they become available.

Finding: **The state is facing major economic uncertainties. It also has been unable to accurately predict revenues under these challenging economic conditions. The commission recognizes the significant problem of deficits and revenue shortfalls and acknowledges the severe negative impacts that revenue shortfalls have on programs and services.**

Recommendation: **Create two classes of appropriations: Class A and Class B.**

To contravene these negative impacts, we propose agencies be required to prioritize their budgets into Class A and Class B items when submitting their annual budget requests to the governor. Class A appropriations would be budgetary items that are "essential" and must be funded. Class B appropriated items, limited to approximately five percent of an agency's overall general fund appropriation, would be "less-essential" (supplemental or deferrable) items and would be funded only if adequate revenues were collected.[11]

Specifically, Class B budget items would be funded on a quarter-by-quarter basis. If revenues were to meet projections at the end of each quarter, then authorization would be given to fund the agency's Class B items for the next quarter. If revenues were inadequate, the Class B items would be cut to the level of available funding, using information on spending priorities provided by each agency during the budget approval process to enact the cuts.

The commission recognizes that funding for Class B budget items would be more inherently risky than for Class A items. Accordingly, the committee recommends that all agencies be directed when practical to staff the positions associated with Class B items using <u>temporary</u> state employees. As a matter of prudence, the state needs to be able to build flexibility into a small portion of its workforce. The committee recommends that agencies should achieve this necessary flexibility by assigning temporary personnel to Class B programs, thus enabling agencies to rapidly alter personnel costs should the state's reserve accounts not be sufficient to cushion agency budgets from unanticipated revenue shortfalls.

> *Finding:* **Faced with a looming budget deficit in 1992, the State Budget and Control Board approved a radical change by the then Comptroller General to account for sales tax revenues. The change picked up a 13th month of sales tax collections for FY 1992 by including the sales taxes from July 1992 in the fiscal year that already had ended the previous month. As a result, for FY 1992 the state's Budgetary General Fund recorded a one-time increase in budgetary revenues of $83 million that the state should never have reached forward and swept into FY 1992.**
>
> In ensuing years, the General Assembly has responded to budget pressures by affording similar 13th month treatment to additional categories of taxes or fees, namely the following:
> - Stamp and business license
> - Alcoholic liquor
> - Beer and wine
> - Soft drink
> - Electric power
> - Gasoline and motor fuel
> - Admissions, including bingo admissions
> - Sales, use and casual excise
> - Recording a deed
>
> For the fiscal year ended June 30, 2003, revenues accruals from July 2003 that were necessary because of these prior inappropriate changes totaled more than $212 million.

Recommendation: **Eliminate the mismatch in revenues and expenditures resulting from using the "13th month" of selected revenues.**

---

[11] The commission recognized that establishing Class A and B appropriations could infuse the appropriation process with greater uncertainty than currently exists by requiring agencies to develop plans for "what if" expenditures. On the other hand, the requirement for an agency to identify a five percent portion of its budget as Class B would provide lawmakers with limited albeit useful information about the priority of agency spending needs.

The commission believes that these artificial accounting techniques should never have been permitted. These techniques improperly added an extra month's revenue in the initial year of change. But worse yet, these techniques have made it impossible for the state to react timely to unanticipated revenue shortfalls occurring at any year-end. This hardship is created because the fiscal year for each of the above revenue accounts now ends on July 31 rather than June 30 (and now begins on August 1 rather than July 1).

Since resorting to these improper accounting changes, the state has been unable to make appropriate spending cuts if necessitated by revenue shortfalls during the final two months of every fiscal year. (Before these changes, the state benefited from having more reaction time. Previously, the state was limited to reacting to revenue shortfalls from only the very final month of the fiscal year. It has never been possible to react to revenue shortfalls in the final month of the fiscal year because by the time the final month's revenues are collected and known, that month's spending has already occurred.)

In short, the additional loss of reaction time occurs because fiscal year spending now ends one month sooner than the fiscal year ends for collecting these major revenue accounts.

The commission strongly urges the state to eliminate this mismatching of revenues and expenditures as rapidly as practical. Not only does this practice violate the public trust, it taints the annual budgeting process by denying the state one of the few standard safeguards available for controlling deficit spending.

Realizing that an immediate solution would be impractical, the committee recommends that this mismatch be reduced by at least five days per year over the next 6 years (i.e., defer to the following fiscal year at least 1/6th of each July's revenues from these accounts). Further, should there be annual surpluses once again in the state budget, those surpluses should be used to correct this mismatch much faster than 6 years.

HUMAN RESOURCES

INTRODUCTION

The committee determined its mission to be "To evaluate the efficiency and effectiveness of centralized and decentralized human resources functions in South Carolina state government and to recommend improvements in order to attract, motivate, retain and develop the best employees and to provide optimum services to internal and external customers within available resources."

To assess the current status of human resources in South Carolina, the committee received information and sought input from a number of agency directors and agency human resources directors, the Office of Human Resources (OHR), Chief Information Officer (CIO), Comptroller General's Office, S.C. Retirement System and other interested parties including the HR Advisory Committee, State Agency Training Consortium (SATC), State Employees Association, Association of State Retirees, S.C. Education Association, Palmetto State Teachers Association, Municipal Association of S.C., Association of Counties and the S.C. Association of School Administrators. The committee also requested various other interviews, presentations, reports and statistics as needed. Finally the committee received input from state employees and citizens through responses to MAP Customer Satisfaction Committee surveys.

What government provides is service performed by people. Approximately one-fourth of the state budget is invested in payroll and benefits. There is a strong feeling among state employees that they are not valued or respected. That feeling is particularly true of first line and mid-management employees. Human capital is the major resource of state government but there is insufficient emphasis in state government on agency accountability; recruitment, retention and performance; training; employee communication; HR technology; health insurance; and the appropriate use of retirement and the Teacher and Employee Retention Incentive (TERI) program. The lack of a "corporate vision" that would guide an agency's management toward common goals to achieve excellence contributes to fragmentation and costly duplication of effort. Further, the negative public image of the "state employee bureaucrat," when coupled with tight budget controls on compensation and benefits, will likely make it difficult to recruit and retain the best employees in the future.

Statewide human resources policies are for the most part well-prepared and readily available to agency management and employees on the Office of Human Resources (OHR) website. Interpretation and implementation assistance of policies and procedures is also obtainable through in-person conferences, telephone, facsimile and email for all state employees. The significant finding is that while the tools and systems are available, there is inconsistent implementation and administration of major policies across agencies. There is limited accountability within state government with regard to the application of human resources policy. There is no central authority to hold agency management accountable for policy implementation. There are insufficient strategic alliances between like agencies or for common purposes and OHR. Agencies make many human resources policy decisions based almost solely upon available funding rather than doing what is right, appropriate, or recommended human resources practice.

Many human resources issues and recommendations are difficult to quantify. The results, however, of applying sound practices and a culture shift can be measured over time in terms of reduced turnover and recruiting costs, less absenteeism, higher productivity and improved customer service. Improvement in these areas can and will result in increased efficiency and effectiveness of state human resources management.

A major opportunity for fiscal savings is a mandated and centrally funded statewide implementation of the Enterprise Resource Planning (ERP) project as outlined in the business case study prepared by consultant BearingPoint in February 2003. An executive briefing by the CIO on August 12, 2003, supports the business case study now underway. The human resources and payroll components are estimated to save approximately $20 million annually when implementation is completed.

A second major economic savings opportunity is to prospectively repeal the TERI program and amend the South Carolina Retirement System statutes to conform to the recent amendments to the Police Officers Retirement System (PORS) statutes. If effectuated now the result would be a reduction in the actuarial liabilities of $650 million and a reduction in the amortization period from 24 years to 17 years.

Human capital is the major resource in state government. To demand and expect excellence requires an appropriate investment in state government's most valuable resource, its employees. The entire human resources effort and process must be built on the premise that people and relationships matter and that employees are valued and respected. This poses a significant change in emphasis and a challenge for state government leaders.

In a service delivery enterprise such as South Carolina state government, its employees are critical assets. Reduced to its simplest form, workforce planning is having the right number of people with the right skills in the right job at the right time. Consequently, workforce planning is a critical endeavor for South Carolina state government.

The workforce is expected to undergo significant changes over the next several years. The most immediate change expected is the retirement eligibility of the Baby Boomer generation. National and state statistics indicate that approximately 30% of the current workforce will be eligible to retire in the next five years. With those retirements will be the exodus of a substantial amount of institutional knowledge. Employers must plan for those retirements as well as for knowledge management. The new generations entering the workforce will constitute numbers significantly less than the number of Baby Boomers. In addition, the workforce of the future will be more diverse in gender, race, age, culture and other factors than any previous workforce. And, along with the aging population will come an increasing need for healthcare workers, for which there is already a critical shortage.

This workforce of the future presents new challenges with recruitment and retention. Attention to diversity in the workplace will increase as the population becomes more diverse. What attracts and motivates employees can differ based on their age, gender, race and other factors. With sheer reduced numbers, competition for employees is likely to intensify. Policies and processes will need to be flexible to attract and retain the best employees. Recruitment processes will need to be multifaceted, yet easy to use. Workplace flexibilities, such as flexible work schedules, telecommuting or teleworking and pay for performance opportunities, will need to be considered. The workforce will need to be better trained to respond to technological and other advances. Learning to be more skillful at work is now a life-long requirement that calls for organizations to build an infrastructure to support continuous learning. With fewer workers to do the work and with greater demands placed upon the few, employee skill requirements continue to escalate and to change.

All of these workforce-planning issues are even more daunting for South Carolina state government as it faces budget crises and restructuring. South Carolina has experienced reductions-in-force, retirement incentives and voluntary separation incentives, which have reduced its state workforce from 67,195 on July 1, 2001, to 63,073 employees in the executive branch of state government on August 1, 2003. In addition, 19,755 employees – or 31% of the current executive branch's 63,073 employees – in South Carolina's state workforce will be eligible to leave state employment, either by attaining retirement eligibility or completing their status as a Teacher Employee Retirement Incentive (TERI) program employee, by 2008. While a portion of these employees may not be replaced, South Carolina will still need to ensure that it has the right number of people with the right skills in the right job at the right time. And, the state's human resources system must facilitate the state's workforce planning efforts.

Over the last decade, South Carolina's state human resources system has undergone substantial reform including a broadband approach to compensation with pay for performance, for assuming additional job duties and for acquiring additional knowledge or skills. The merit system was modernized and decentralized to allow the agencies to have increased flexibility in recruitment and selection. South Carolina's human resources information system was expanded to provide an Internet site for posting all state employment vacancies and submitting applications electronically, as well as leave and training reporting capabilities. In 1996, the General Assembly reformed the employee's grievance process to enhance the use of alternative

dispute resolution to resolve employment disputes resulting in savings to the state in both time and money. Legislation also authorized the use of flexible work schedules and telecommuting. In the late 1990s, South Carolina began its workforce planning efforts in state government. These and other reforms led to South Carolina receiving the highest rating of all 50 states in both 1999 and 2001 by Governing Magazine for its human resources system. Nevertheless, the committee was concerned about how fully the agencies have deployed the flexibilities of this system.

While there are many positive aspects about South Carolina's state human resources system, there are opportunities for improvement. Perhaps the greatest need is for a standardized computer system, which contains a fully integrated human resources component. Improvements can also continue in the areas of recruitment and retention. One example that transcends both recruitment and selection is in training. The American Society for Training and Development reports that during 2000, American corporations spent 2% of payroll on training while Asia, China, Europe and the Middle East spent considerably more (Attachment B). In a survey conducted by this committee, 57 of 71 agencies in state government responded to a questionnaire about agencies' investment in training. Of these responses, we found there are 201 full-time positions devoted to the delivery of training to state employees. The state also spent another $5 million purchasing training from external providers. Total salaries for these training positions and expenditures for external training are approximately ½ of 1% of payroll. The committee distilled its recommendations for improvements to the state's human resources system into the following areas: agency accountability; recruitment, retention and performance; training; employee communication; HR technology; health insurance; and retirement and the TERI program.

Agency Accountability

Human capital is the major resource in state government. The state must invest properly to continue to receive a return in productivity. The byword should be "requiring and expecting excellence," not settling for mediocrity. The human resources professional is too often excluded from leadership deliberations, consequently decisions are made without taking into account the human resources aspect. Agency leadership is not required to hold supervisors and managers accountable for performance evaluations or for using that performance evaluation process as a major management tool to increase the effectiveness of employees. In addition, there is no overall "corporate vision" that defines strategically or otherwise the desirable direction toward which all agencies should focus their efforts. The lack of a coherent and clear guiding vision leaves each agency and the human resources professionals on their own to determine goals. This contributes to fragmentation of effort among agencies.

FINDINGS & RECOMMENDATIONS

Findings: **The Agency Accountability Report, which is required of all agencies, except for higher education, is not properly utilized to its full potential for human resources functions.**

❖ *Lack of Corporate Vision and Goals*

❖ *HR issues are not consistently included in leadership management & decision making*

❖ *HR management tools are available but not consistently or properly utilized*

❖ *Employee compensation and benefits take the first hit when budget cuts are made rather than utilizing best management practices*

Recommendations:

- ??? *Include the senior human resources person in the agency as a regular participant in the leadership activities of the agency (have a seat at the leadership table).*

- ??? *Initiate a statewide human resources strategic planning process.*

- ??? *Create a high-level function within the Governor's office to reinforce agency accountability reports. The office should assess the reports for their completeness and use of evidence-based analysis. The office should prepare a report providing comparative assessments of agency against agency, progress from previous years and comparison to national standards.*

- ??? *Charge OHR with specific authority for HR consultation, systems development and support to agencies.*

- ??? *Hold agency heads and their leadership teams accountable for contributions to achieving the state's human resources goals and Corporate Vision, selection of quality candidates for open positions, managing performance and compensation, retaining high performers and separating ineffective performers, identifying and developing employees for leadership positions and employee participation in required training.*

- ??? *Charge OHR with studying the fiscal impact of high turnover in low-pay entry positions, such as correctional officers, to determine if higher pay scales would improve recruitment and retention costs.*

RECRUITMENT, RETENTION & PERFORMANCE

While recruitment, retention and performance are discussed separately below, they need to be seen as inextricably intertwined.

Recruitment

Workforce studies show potentially large numbers of state employee retirements in the next five years and high turnover creating significant manpower shortages and loss of accumulated experience and historical knowledge. Also, budget stringencies make it increasingly difficult for agencies to compete for applicants with the private sector. In addition, the recruitment system and process is not sufficiently "customer friendly," while, at the same time, much of its potential is underutilized by agencies. Finally, negative public images of the "bureaucrat" or "state employee" do not always attract talented potential employees.

Findings:

- ??? *Applicant process and data management is maintained at individual agency level*

- ??? *Applicant process is difficult for external applicants to navigate electronically*

- ??? *Little collaboration of recruitment initiatives exists among agencies and OHR*

- ??? *Negative public perception of the state "Employee Bureaucrat"*

Recommendations:

- *Make the applicant process more "customer friendly" for the end user by using a simplified universal application form that is easy to complete and maximizes the use of the Internet.*

- *Publicize vacancies through multiple points of access throughout the state.*

- *Evaluate creating internship programs as a recruitment source for selected positions.*

- *Assess the viability of centralizing or outsourcing the recruitment function while maintaining the hiring function at the agency level. Implementing such a plan will eliminate duplication of data and increase cost savings as well as the ability to share applicant data between agencies.*

- *Establish an agency Recruiters Council to share learning and group recruitment efforts among like-agencies.*

Retention

Perceived lack of career opportunity, insufficient financial and other rewards for good or high performance, inadequate management techniques and the underutilization of systems already in place contribute to current retention issues in state government. The last state employee salary increase passed by the South Carolina General Assembly was for fiscal year 2001/02 which granted a 1% merit increase and a 1.5% cost of living increase, while employee health care costs have increased dramatically. In addition, at the more senior management levels, the impact of the current political agency leadership appointments process has had a chilling effect on the willingness of competent senior employees to serve. Being identified with an administration may mean the end of a career, which is especially important for those who are in the early stages of their career and reaching the most productive years for making a contribution to state government. This is a disincentive to some of the most qualified employees that is costly to state government as significant experience and historical knowledge is either lost or unavailable to new leadership.

Findings:

- *Lack of clearly defined public service career paths*

- *Management employees are not properly trained or held accountable*

- *Insufficient use of financial and other rewards*

- *Underutilization of existing systems, policies and tools both monetary and non-monetary*

- *Exemption Proviso adversely impacts career employee retention*

Recommendations:

- *Encourage revision of the application of the Exemption from the Grievance Act Proviso to include only agency directors, their chiefs of staff and their deputies. (Note: This does not affect at-will employees under the 1993 Restructuring Act).*

- *Implement clearly defined public service career paths.*

- *Encourage the use of retention tools that are currently in place, but are often not effectively utilized and require agency heads to report on their retention efforts in the annual accountability report.*

- *Create a statewide competencies/skills assessment center with the capability to assess the skills and competencies of individuals and to assist agencies in assessing their competency*

> *needs. Assessment results would provide agency/employee (or potential employee) profiles to be shared across state agencies by creating a database of skill/competency sets available in the current/potential labor pool.*
>
> ?? *Establish a Senior Executive Service (SES). Suggested SES characteristics and components are located in Attachment A.*
>
> ?? *Strengthen the screening process, which requires confirmation by the S.C. Senate of all agency director positions appointed by the governor for the purposes of determining qualifications for appointees.*

Performance

Lack of accountability for performance appears to be widespread as indicated by the supervisor's failure to turn in performance evaluations resulting in a "Meets by Default" rating for nearly *one in six (16.85%)* employees. Over 56% of all employees are rated as exceeding or substantially exceeding requirements. Although the system in place appears adequate, satisfactory execution appears to be lacking. This lack of clear outcome measures makes it difficult to evaluate performance.

Pie chart legend:
- Meets by Default
- Below
- Meets
- Exceeds
- Substantially Exceeds

Values shown: 12%, 17%, 44%, 0%, 27%
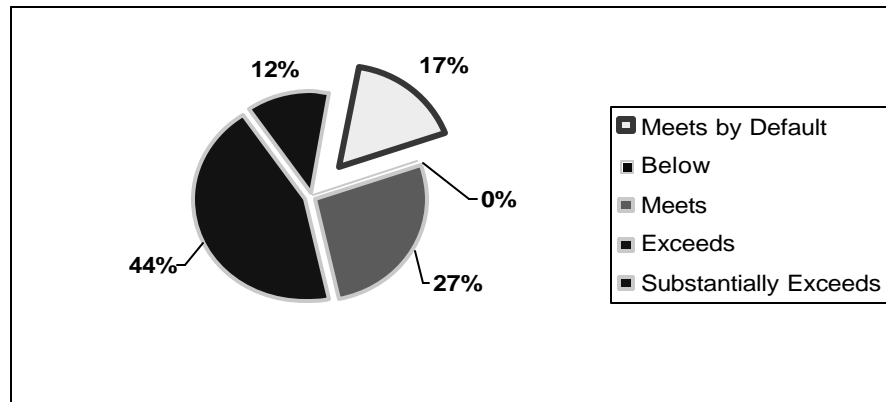
**Below requirements ratings are generally not entered into HRIS because the substandard performance process requires an individual to be removed from the position if they have a below requirements rating and do not improve during the warning period.

Findings:

> ?? *Agencies are not held accountable for strategic employee performance management*
>
> ?? *Improper agency execution of existing systems, processes and procedures*
>
> ?? *Lack of clear outcome measures which results in the inability to evaluate performance*
>
> ?? *No clear or mandatory career-path developmental training program*

Recommendations:

- ✍ ***Require agencies to develop an Individual Employee Development Plan for each employee that is linked to the annual Employee Performance Management System (EPMS). This consolidated document will result in a streamlining of processes and should include clear and measurable performance standards (quantitatively where possible) with direct correlation to the agency mission.***

- ✍ ***Utilize training as a performance development tool.***

- ✍ ***Create and require the use of assessment centers to identify high performers for leadership positions.***

- ✍ ***Require agencies to include performance evaluation measures and performance development program in accountability report.***

Training

South Carolina employs approximately 63,500 employees in full-time equivalent (FTE) positions in the executive branch of state government. As a result of the current budgetary conditions, the State has reduced its workforce by over 4,000 positions over the last 2 years. It is estimated that 30% of this workforce will be eligible to leave service within the next 5 years. With fewer employees to do the work and a loss of historical knowledge, it is critical that the workforce is well trained in order to become more knowledgeable, skillful and productive. All employees must be equipped to contribute fully in their chosen profession or craft to provide better service to our citizens. Existing resources can be used to expand the state's capacity to deliver training by integrating technology and pedagogy to create an enriched learning environment that will equip a leaner workforce to meet the challenges of the 21st century.

Findings:

- ✍ *There is no statewide training plan.*

- ✍ *Recruitment, retention and performance management efforts are adversely affected by the lack of proper and accessible training statewide.*

- ✍ *There is inadequate centralized funding and infrastructure to support training delivery.*

- ✍ *The State Agency Training Consortium (SATC) is underutilized.*

Recommendations:

- ✍ *Charge OHR with developing and implementing a mandatory performance driven, career-path training program. The path would include developmental programs for points in a career when there is a significant expansion in responsibilities and an important change in knowledge, skill or practice.*

- ✍ *Utilize the SATC as an advisory mechanism to create the statewide training plan and develop standardized statewide core curricula.*

- ✍ *Fund career path and core curriculum training as a line item in the state budget. Charge OHR with the responsibility to work with agencies to identify eligible participants and to provide training at no additional cost to agencies.*

- ✍ *Determine the most effective and efficient manner to deliver career path and core curriculum training either at the agency level or through centralized sources. Utilize the SATC membership to develop a pool of qualified trainers. Evaluate the benefits of outsourcing the delivery of training to state higher education institutions or other sources.*

- ✍ *Fully utilize technology to deliver training in order to reduce costs and standardize content/delivery.*

- ✍ *Centralize administration of employee data and training investment management.*

- ✍ *Charge OHR with developing and implementing an outcomes measurement system that would allow for determination of the return on investment (ROI) in training.*

- ✍ *Create a developmental program for human resources professionals.*

Employee Communication

The Human Resources Committee has determined that the employee communications process within South Carolina state government should be reviewed for overall effectiveness. Time constraints upon the MAP Commission prevented such a review. Employee communication is an integral part of the business of government and is essential to advance the mission and goals of the agencies of South Carolina government. Such communication must be candid, timely and thorough.

While pay, benefits and working conditions are important, agency leaders must also address feelings, attitudes and relationships. Management ALWAYS communicates something – whether positively or negatively through communicating by their presence or lack of it, by their choices, words, nuances and behaviors. Communication must be a process, not a periodic event. Managers are the messenger and the message.

A "culture change" in state government will require substantial and broad-based communications to facilitate a shift in collective behavior patterns, values, beliefs and expectations and the unwritten rules, institutions and

traditions in place for years. The entire communication process must be built on the premise that people and relationships matter and that employees are valued and respected.

Findings:

 ☍ **There is no central or agency planning concerning employee communication.**

 ☍ **Employees often first receive information about significant matters affecting all state employees through public media.**

 ☍ **Employees want to receive information affecting them from agency management.**

 ☍ **Best practice communication tools are not widely or consistently used to keep employees informed.**

Recommendations:

 ☍ **Allow, in so far as possible, state leadership to give agency management an opportunity to explain significant policy decisions to employees before release of information to the media and general public.**

 ☍ **Train all state management personnel on how to best gain employee awareness, understanding, acceptance and commitment by interchanging thoughts, openness, information, data and facts through shared processes.**

 ☍ **Require agencies to develop and use a written communications plan incorporating multiple communication channels to reach a maximum number of employees with timely, credible and comprehensive information.**

 ☍ **Require agencies to develop and train supervisors to use feedback sources such as management by walking around (MBWA), open door practices, regular supervisor meetings, small group employee meetings, a telephone "Info/Hot Line" and anonymous feedback mechanisms such as "Q & A", or "Suggestion Box" and/or a link to an agency intranet site.**

Information Technology

The present central human resources information system was designed to facilitate only the requirements of the Office of Human Resources (OHR), which does not include payroll, benefits, or retirement. Many agencies have developed their own human resources and payroll systems. While agency systems can communicate with OHR, none of the existing systems integrate all human resources functions such as employee relations, payroll, time and attendance, recruitment, training, benefits, retirement, insurance and employee self-service. Agencies are free to develop and update their own programs but must fund the work within the agency's budget. The result is a duplication of effort and a costly and inefficient infrastructure.

Findings:

 ☍ **Centralized HRIS system are designed to only meet OHR requirements.**

 ☍ **Agencies are free to purchase and/or develop own systems that are both costly and inefficient.**

✍ *Systems are not integrated statewide.*

✍ *Limited self-service use for state employees and applicants.*

✍ *Duplication of effort and resources.*

Recommendations:

✍ *Continue the BearingPoint project as outlined in the* South Carolina Information System Business Case Study *prepared by the contractor in February 2003. The estimated costs, savings and statewide five-year phased implementation plan are detailed in the report that is available in the Office of Human Resources. The HR and Payroll components savings is estimated to be approximately $20 million annually when implementation is completed.*

✍ *Urge the General Assembly to mandate participation by all state government agencies as opposed to the optional participation language contained in H.3749 and to establish a separate line item budget each fiscal year to centrally fund the total project as opposed to requiring each agency to pay for implementation from within the individual agency's budget as described in H.3749.*

✍ *Assign implementation and oversight responsibility for the HR and Payroll components of the project jointly to the Comptroller General's Office and the Office of Human Resources. OHR must be the office maintaining comprehensive human resources information for every state employee.*

Health Insurance

Findings:

✍ *The State of South Carolina currently self-funds the health insurance program for state employees and retirees.*

✍ *There are currently multiple health insurance options available for state employees and retirees to select, which vary in level of premium, deductible and coverage amounts.*

✍ *The same rising health care costs that are causing escalating insurance rates for private businesses and state Medicaid programs are attacking this system.*

✍ *The result of the last four years has been reduced coverage and higher premiums for the 383,000 government employees, dependents and retirees in the insurance system. Of that number, 49,300 are retired state employees and dependents.*

✍ *Currently, the state pays a third party administrator to administer the plan and pay claims.*

Recommendations:

> ?? *Develop a Request for Proposal (RFP), through an independent actuarial company, to solicit bids on the fully insured group Medicare Supplement program from private insurers and from the Department of Insurance for the State of South Carolina for retirees age 65 and over who receive health benefits from the State Health Plan. The potential savings are $13 million for the State of South Carolina and $5 million for retirees and their dependents.*

> ?? *Require private companies responding to the RFP to meet all of the following criteria:*
>
> o *Have a minimum A.M. Best and Company rating of "Excellent;"*
>
> o *Have proven experience in the Medicare Supplement Market, with at least ten consecutive years in the individual Medicare Supplement Market and at least three consecutive years in the group Medicare Supplement Market;*
>
> o *Have a group Medicare Supplement product approved by the Department of Insurance for the State of South Carolina;*
>
> o *Be able to implement the program within 60 days after receiving the contract, but no later than January 1, 2004;*
>
> o *Be willing to assume the obligation of the claim reserves for operating the system;*
>
> o *Be prepared to offer the program on a guaranteed issue basis and offer a one-year rate guarantee;*
>
> o *Require the program offered to include: benefits similar to those offered by the current plan; an insured Prescription Drug Card with Co-pay product; an option for persons who are 65 and over and receiving a retirement benefit from any of the State Retirement Systems, but are not currently covered by the State Health Plan, to participate in this program on a guaranteed issue basis.*

Retirement & TERI Program

The concept of an incentive program for teachers was originally introduced because of difficulties in retaining qualified teachers in special education areas within specific counties of the state. The intent of the program was to provide an incentive tool that employers could use to retain qualified teachers in these critical needs and/or special education areas. In December 1999, the Governor's Office requested that the staff of the Budget and Control Board research Florida's Deferred Retirement Option Program (DROP) and draft a similar plan in South Carolina. The draft plan was forwarded to the Governor's Office in December as a retention incentive program to retain high performers who are retirement eligible. The Teacher and Employee Retention Incentive (TERI) program became law and the Budget and Control Board adopted guidelines for the administration of the program effective September 19, 2000. Active SCRS members eligible for service retirement on or after January 1, 2001 could opt to participate in the TERI program.

The TERI program allows an employee who is retirement eligible to elect to retire and defer his/her retirement benefits while continuing employment with a covered employer for a period not to exceed five years. During participation in the TERI program, the member's receipt of retirement benefit is deferred until participation in the TERI program terminates. The member makes no contribution to the Retirement Systems during the TERI period, but the employer makes the usual employer contribution with regard to the TERI participant.

Findings:

Since inception, 13,377 members have retired and entered the TERI program. Out of this number, 2,970 TERI participants have terminated from the program and their TERI accounts have been paid out. As of June 30, 2003, there are approximately 10,407 current participants in the following categories:

State Agencies	3,218	School Districts	4,807
Higher Education	1,626	Political Subdivisions	756

According to the 2000 actuarial valuation, the primary reason for the $1.8 billion increase in the unfunded actuarial accrued liability (UAAL) attributable to plan changes was the adoption of the TERI program and the reduction of retirement eligibility with full benefits from 30 to 28 years of service. The total increase in UAAL for 2003 was $1.95 billion and the amortization period went from 2 years in 1999 to 16 years in 2000.

According to the South Carolina Retirement System's (SCRS) actuary, elimination of the TERI program now would result in a reduction in the actuarial liabilities of $650 million and a reduction of 7 years in the amortization period from 24 years to 17 years. There are a total of 24,408 employees (state, higher education, school districts and political subdivision participants) eligible to retire through June 30, 2006. Historically, the assumption has been that 25% of eligible retirees elect to retire once they reach eligibility. As of June 30, 2003, there were $439.5 million in the amount of retirement funds on deposit in TERI accounts.

Because the teachers, municipal, state and county employees are all part of the SCRS, they are eligible to participate in the TERI program. Although the original program was intended to be a tool to retain teachers in critical areas, the focus of the program has evolved to an employee benefit program available to all members of the retirement system. Eligible employees can choose to participate in the TERI plan without the employer's discretion. This self-selection without involvement from the employer causes a potential problem for employers because they have no ability to retain the staff whose knowledge or services are needed. A meeting was held in Washington, D.C., between Internal Revenue Service representatives and the retirement system regarding a potential problem with making participation in the program employee and employer negotiated, instead of the employee's decision alone. These discussions were preliminary and not in the form of an official ruling. However, based on a memo from Stephen R. Van Camp (Attachment C), Managing Legal Counsel for SCRS, this provision could cause a potential violation of IRS tax qualification rules, and the continued qualification of SCRS may be jeopardized.

The TERI program causes a potential financial impact on entities continuing to struggle with budget reductions. When an eligible employee elects to participate in the TERI program, he/she receives a payout for any unused annual leave up to 45 days at the participant's current salary. When the employee's participation in the TERI program ends, the employer again is responsible for a payout of any unused annual leave up to 45 days at the participant's current salary. The financial drain occurs because most TERI participants are receiving maximum leave accrual at a higher per hour cost and entities are responsible for dual annual leave payouts. The monies used to fund the annual leave payouts are not budgeted by entities due to the unknown factor of who and when an eligible employee may begin or end his/her TERI participation. The only certainty the entity has is that the TERI participant has to separate from the program at the end of 60 months. Also, normally when an employee retires, the entity recoups some of the annual leave payout costs by not filling the vacant position. However, when an employee elects to enter the TERI program, the entity pays the annual leave payout as well as the continued TERI participant's salary. Projected first and second annual leave payout costs for eligible employees in fiscal year 2003/04 are located in Attachment D.

The future retiree cost-of-living (COLAs) increases, the Retirement Systems liability to fund the TERI program and the national economy and current state budget crisis are other factors that have a financial impact on the SCRS and contributing entities.

Positive aspects of the TERI program are that, while many valuable staff would have retired and taken a wealth of institutional knowledge with them into retirement, the TERI program provides the entities with a definite time period for succession planning and workforce development. The TERI program also locks in the participant's monthly retirement annuity at the time of TERI participation; this is because the percentage used in the formula to calculate the retirement monthly annuity is based on years of service.

Based on the financial impact that the current TERI program has on the SCRS and covered entities and because the original intent of the program has changed, the negative aspects of the current program outweigh the positive aspects of continuing this program.

Recommendations:

Repeal the TERI program to be effective upon the governor's signature, create a process to administer the program for then existing TERI participants and amend the SCRS statutes to conform to the recent amendments in Act#4879 of 2001/02 made to the Police Officers Retirement System (PORS) statutes (Attachment E). Because SCRS is responsible for building its liability into the system, there currently are no additional costs to the SCRS to implement this recommendation. Moreover, according to the SCRS's actuary, elimination of the TERI program now would result in a reduction in the actuarial liabilities of $650 million and a reduction of seven years in the amortization period from 24 years to 17 years. All recommendations are to be prospective and exempt all current TERI participants. Specific recommendations are as follows:

- *Eliminate the earnings limitation for employees under SCRS. (Earnings limitation removed under certain conditions, Attachment E).*

- *Upon retirement, the employee is paid out for any unused annual leave up to 45 days and forfeits any sick leave not credited toward his/her retirement service credit.*

- *The employee must be retired for 15 consecutive calendar days prior to returning to employment with state government.*

- *The employee has no guarantee to the same or any position or the same salary earned upon retirement. Vacant positions should be posted and are open competitively.*

- *A retired member who is hired by an agency in an FTE position will not have grievance rights under the State Employee Grievance Procedure Act nor have reduction in force rights. (Exemption from grievance procedures, Attachment E).*

- *Upon returning to state employment, the employee will not serve a probationary period since the employee is exempt from the State Employee Grievance Act.*

- *If an employee is hired into an FTE position, the employee shall be given credit for his/her prior state service and/or service as a certified employee in a permanent position of a school district of the State for purposes of computing bonus annual leave earnings. However, when the retired employee separates from employment, he/she will not receive a second annual leave payout. (Unused leave payments not authorized, Attachment E).*

- *Study the benefits and cost savings of prospectively returning the normal retirement eligibility under the SCRS statute to 30 years for retirement with full benefits to new and non-vested employees, effective on the date of the governor's signature.*

✍ *It is recommended that a potential cost-savings opportunity be investigated by the SCRS that could save as much as $1 million annually if the state was not required to match social security and Medicare on annual leave payouts to retirees. Both the departing employees and the state would each save 7.65% in as much as the funds would go into a retirement account as opposed to being counted as income. We have been informed that two other states are already in the process of implementing a similar program.*

ATTACHMENT A: SENIOR EXECUTIVE SERVICE

Characteristics/Components

1. Participants in a Senior Executive Service (SES) should represent the top management for the agency with the highest level of responsibility for policy setting and program management. Typically higher education institutions are excluded from SES systems.

2. Identification of SES positions

    ?? Positions which are included in a SES may be identified in statute.

    ?? A central administrative authority may also be charged with reviewing and approving positions for inclusion in the SES.

3. Selection procedures

    ?? While the employees in these positions are usually appointed, those agency directors who would choose to use competitive selection procedures would have the flexibility to do so. A few systems across the country are "closed" systems which only allow recruiting from within the existing ranks of government or place a limit on the number of "outside" hires.

4. Pay Procedures

    ?? Typically SES members are compensated under a separate system than classified employees. In the federal government, these positions are above the level of GS-15.

    ?? In South Carolina, the current Executive Compensation System could be a natural system for distinguishing these employees from those in the classified service and for ensuring that their compensation levels fit within the organizational and pay structure of the agency.

5. Performance Evaluation and Career Development Procedures

    ?? While SES members may not be subject to the formal Employee Performance Management System, a separate performance evaluation system is often established for this group.

    ?? Some systems also have separate leadership and career development components for system members.

6. Retreat Procedures

    ?? SES members are exempt from the State Employee Grievance Act and serve at the will and pleasure of the agency director.

    ?? Career employees (those with a minimum number of years of satisfactory service) who are chosen for positions in the SES would have retreat rights to a position comparable to the position they left if they are released from the SES position.

    ?? The position to which the employee would retreat would be to a position comparable in pay to the position held immediately prior to entry into the SES.

    ?? In case a suitable position cannot be found, a central administrative authority could be charged with assisting the executive in seeking employment in a comparable position.

7. Based on the current configuration of agencies, it is anticipated that the potential number of SES members would be between 150 and 200 positions. No legislative approval would be required of employees who opt into the Senior Executive Service.

ATTACHMENT B: TRAINING

The 2002 ASTD International Comparisons Report

In comparing overall training expenditures from 1998 to 2000 to expenditures in 2000 alone, one can note that Europe and Latin America reported substantial decreases in total expenditures in the year 2000. The difference in Latin America was $136 per employee (a .30% difference) and $119 (.17%) in Europe. Other regions were slightly higher or lower when 2000 averages were compared with the three year combined averages.

Training expenditures as a percentage of the organization's total payroll represent another commonly used measure of a firm's investment in training (see Figure 3). Across all of the reporting organizations, 2.5 percent of the payroll was invested in training-related activities. This metric continued the upward trend, which was 1.8 percent in 1997, then 2.2 percent in 1998, and 2.1 percent in 1999. Training expenditures as a percentage of payroll in 2000 were highest in Asia (3.8%). Incidentally, Asia had the highest figure in last year's report, while Japan was the lowest.

As was the case in 1999, the majority of respondents in 2000 again fell in the 2 to 3 percent range on this measure. Organizations in Asia and China appeared to be directing larger portions of funds toward training than other regions. These two regions were the only regions with averages above the 3 percent level in 2000. Furthermore, 2000 appeared to be a "breakout year" in these two regions compared with the period of 1998 to 2000. Rapid growth was noted particularly in China, where the total expenditures as a percentage of payroll for 2000 was 3.2 percent compared to1.8 percent for the entire1998-2000 period. In other regions, such as Europe, Latin America, and the Middle East, 2000 represented a "down year" when compared to the combined period of 1998-2000.

Figure 3. Training Expenditures as Percentage of Payroll
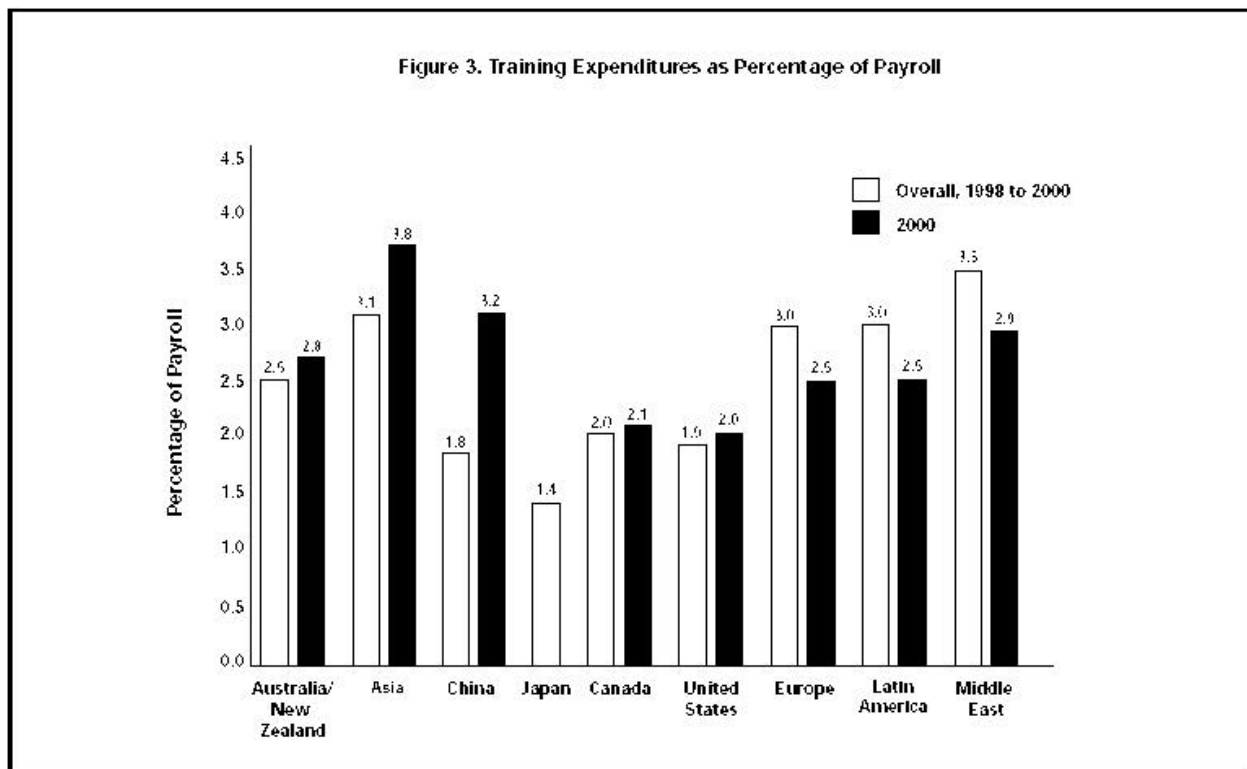
ATTACHMENT C: INTERNAL REVENUE SERVICE DISCUSSIONS REGARDING THE TERI PROGRAM

May 8, 2001

Mr. Robert Toomey
Director
South Carolina Retirement Systems
P.O. Box 11960
Columbia, SC 29211-1960
Re: The Proposed Mutuality Provision for TERI and LEORI

Dear Mr. Toomey:

Amendments to the Teacher and Employee Retention Incentive Program ("TERI") and the proposed Law Enforcement Officer Retention Incentive Program ("LEORI") contain a provision that "participation is allowed only upon the mutual consent of the employee and employer".

Question Presented
Whether a provision that requires employer consent to participate in TERI or LEORI would violate Internal Revenue Code qualification rules.

Answer
Based on a May 7, 2001 meeting with Mr. Paul T. Shultz, III, the Internal Revenue Service Director of Employee Plans Rulings & Agreements, a provision that conditions an employee's participation in TERI or LEORI upon employer consent would be in violation of Internal Revenue Code qualification rules. According to Mr. Shultz and his staff, an employer consent provision would violate the "definitely determinable benefits" requirements of Section 401(a)(25). Under Section 1.401-1(b)(1)(i) of the Income Tax Regulations, a qualified pension plan must provide "definitely determinable benefits." Section 401(a)(25) provides that "A defined benefit plan shall not be treated as providing *definitely determinable benefits* unless whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, such assumptions are specified in the plan in a way which *precludes employer discretion*".

In the view of the IRS, the proposed mutuality provision in TERI and LEORI would condition the availability of an optional form of benefit on the discretion of the employer. It appears that under the IRS view, a participant in a qualified pension plan must be able to determine his or her benefits from the pension plan's documents, and that if the employer can determine which benefits the participant can or cannot receive, the participant will not have certainty concerning benefits under the plan. Apparently, the IRS is concerned about the potential for arbitrary decisions and discrimination which could occur if the employer can determine who gets what benefit. Because the IRS considers the TERI and LEORI programs to be a type of benefit, no employer discretion is allowable in determining which employees or participants may participate in TERI or LEORI under Section 401(a)(25) of the IRC.

The IRS rejected the Retirement Systems' argument that the mutual consent provision constitutes an employment decision by the employer. The IRS does not regulate employment matters between an employer and an employee and certainly pension benefits are contingent on a participant's continued employment. While the IRS acknowledged that it would be a proper and worthy goal for South Carolina to ensure that it encourages the retention of only quality employees in TERI, the IRS maintained that any employer discretion with regard to a benefit would be a qualification violation under Section 401(a)(25).

One IRS employee suggested that one possible way that South Carolina might accomplish its goals without violating Section 401(a)(25) would be if participants in the TERI or LEORI plans had to retire and reapply for their jobs under either TERI or the earnings limitation. The underlying theory would be that this would be a bona fide employment decision as to whether or not to reemploy the retiree to a position under either the earnings limitation or TERI. The IRS staff did not seem to be in agreement about whether or not this approach would violate qualification rules.

The IRS also rejected arguments that public pension plans should not be subject to the employer discretion aspect of the definitely determinable benefits rule. Public plans are exempt from a number of qualification rules that would apply to private pension plans. For example the discrimination provisions of Section 401(a)(4) do not apply to public plans. Under Section 401(a)(4), benefits under a plan cannot discriminate in favor of highly compensated employees. The regulations promulgated under Section 401(a)(4) state that a plan cannot condition the availability of an optional form of benefit on employer discretion and that such employer discretion may violate the definitely determinable benefits rule. The IRS stated that while Section 401(a)(4) and its regulations may not apply to public plans, the same policy considerations would dictate that employer discretion is not allowable in a qualified public pension plan.

As I stated in my letter dated March 8, 2001, Deferred Retirement Option Plans, like TERI, are a relatively new phenomenon in the pension world and there is almost no guidance from the IRS concerning what is or is not permissible in the context of a TERI. The IRS staff acknowledged that many questions regarding plans like TERI have not yet been answered. Under these circumstances, it would be prudent to proceed cautiously when adding provisions to either TERI or the proposed LEORI.

Conclusion
As you know, South Carolina public employees currently enjoy favorable tax treatment because the South Carolina Retirement System and the Police Officers Retirement System are "qualified plans". The IRS has stated, however, that the proposed mutual consent provisions of TERI and LEORI would violate IRS tax qualification rules and thus the continued qualification of SCRS and PORS would be jeopardized if these provisions are implemented.

If you have any questions or concerns, please give me a call at 737-6898.

With kindest regards,
Sincerely,

Stephen R. Van Camp
Managing Legal Counsel

ATTACHMENT D: TERI

The SCRS projects there are 13,545 eligible employees to retire or elect to participate in the TERI program during FY 2003-04. These projections include all employees eligible to retire (by age or service) but do not include employees who may be eligible to purchase additional service to become eligible to retire during this fiscal year.

The following chart is the agencies cost projections for annual leave payouts for state and higher education employees eligible to retire by age or service in Fiscal Year 2003-2004. The projections below are based on the actual salaries of retirement eligible employees during this time period. The agencies incur the unbudgeted cost of annual leave payouts regardless if employees elect retirement or participate in the TERI program. However, an additional cost to the agencies occurs when an employee elects the TERI program and the entity pays the annual leave payout as well as continuing the TERI participant's salary.

# Days AL Payout Assumption	Total Funds for Annual Leave Payout	State 61%	Federal 12%	Other 27%
30	$24,159,558	$14,715,902	$2,824,990	$6,618,665
35	$28,185,977	$17,168,446	$3,295,802	$7,721,728
40	$32,212,605	$19,621,118	$3,766,638	$8,824,848
45	$36,239,233	$22,073,790	$4,237,473	$9,927,968
1	$805,283	$490,508	$94,162	$220,612

The SCRS estimates that 30 days is the average payout for retirement eligible individuals. The above projections assume that all eligible employees retire or enter the TERI program (by age or service) but do not include employees who may be eligible to purchase additional service to become eligible to retire during this fiscal year. This chart only pertains to state and higher education employees.

The following chart is the agencies cost projections for the second annual leave payout for state and higher education employees currently participating in the TERI program. The second annual leave payout is a liability that exists for TERI participants <u>only</u> and also is an additional cost to state agencies. These projections are based on the actual salaries of TERI participants and assume that all state and higher education participants leave the TERI program during Fiscal Year 2003-2004.

# Days AL Payout Assumption	Total Funds for Annual Leave Payout	State 62%	Federal 13%	Other 25%
30	$25,650,841	$15,806,350	$3,333,292	$6,511,198
35	$29,925,796	$18,440,628	$3,888,816	$7,596,351
40	$34,200,974	$21,075,043	$4,444,370	$8,681,560
45	$38,476,151	$23,709,457	$4,999,923	$9,766,769
1	$854,990	$526,855	$111,104	$217,030

ATTACHMENT E: POLICE OFFICERS RETIREMENT SYSTEM (PORS)

The following are amendments in Act 4879 of 2001-02 made to the Police Officers Retirement System (PORS) statutes.

Unused leave payments not authorized

SECTION 10. Section 8-11-620 of the 1976 Code is amended to read:

"Section 8-11-620.   (A) Upon termination from state employment, an employee may take both annual leave and a lump-sum payment for unused leave, but in no event shall such combination exceed forty-five days in a calendar year except as provided for in Section 8-11-610. If an employee dies, his legal representative shall be entitled to a lump-sum payment for his unused leave, not to exceed forty-five working days, except as provided for in Section 8-11-610. Upon retirement from state employment or upon the death of an employee, a lump-sum payment will be made for unused leave, not to exceed forty-five days, unless a higher maximum is approved under the provisions of Section 8-11-610 and without regard to the earned leave taken during the calendar year in which the employee retires.

(B) A retired member of the South Carolina Police Officers Retirement System who is hired by the State, a state agency, institution of higher learning, board, commission, or school that is a governmental unit of this State is not eligible for a lump-sum payment for unused leave provided pursuant to subsection (A) of this section."

Exemption from grievance procedures

SECTION 11. Section 8-17-370 of the 1976 Code, as last amended by an act of 2002 bearing ratification number 181, is further amended by adding an appropriately numbered subsection at the end:

"( )   a retired member of the South Carolina Police Officers Retirement System who is hired by an agency to fill all or some fraction of a full-time equivalent (FTE) position covered by the State Employee Grievance Procedure Act."

Earnings limitation removed under certain conditions

SECTION 12. Section 9-11-90(4)(a) of the 1976 Code, as last amended by Act 25 of 2001, is further amended to read:

"(a) Notwithstanding the provisions of subsections (1) and (2) of this section, a retired member of the system who has been retired for at least fifteen consecutive calendar days may be hired and return to employment covered by this system or any system provided in this title without affecting the monthly retirement allowance he is receiving from this system. If the employment continues for at least forty-eight consecutive months, the provisions of Section 9-11-90(3) apply. If a retired member of the system returns to employment covered by the South Carolina Police Officers Retirement System or any other system provided in this title sooner than fifteen consecutive calendar days after retirement, the member's retirement allowance is suspended while the member remains employed by a participating employer of any of these systems. If an employer fails to notify the system of the engagement of a retired member to perform services, the employer shall reimburse the system for all benefits wrongly paid to the retired member."

INFORMATION TECHNOLOGY

The IT Committee of Governor Sanford's Management, Accountability and Performance (MAP) Commission adopted as their understanding the following mission:

Fulfilling the State of South Carolina's mission to provide high quality, cost-effective services to the citizens and taxpayers requires the efficient and effective use of technology.

The easiest part of the committee's work was reviewing volumes of data – consistent and conflicting. The more difficult task is driving implementation of our recommendations. These recommendations will not be implemented through mere methodical listing and pricing, but, rather, through the committed leadership of our state's Governor and legislators.

Many commissions and study groups precede the MAP Commission, each with recommendations for streamlining government. We recognize the efforts of the South Carolina Technology Council, the Management Systems Performance Audit, the Technology Transition Team and the TA Study Group and other and echo many of their recommendations. It is astonishing that so many of the recommendations from these previous groups are consistent with those of the MAP Commission yet so few have been acted upon.

INTRODUCTION

Technology must support the business objectives of South Carolina government, not drive them. Although technology can be an enabler to increasing the value of the services government provides, technology must follow the customer-driven requirements identified by the agencies of state government that are accountable for providing services to its customers.

One of the first steps to be taken in increasing the value of the services the government provides is to identify major needs of the "customers" – that is, those who pay for the services and those who receive them – and then identify the functions/actions the government must perform to produce services geared to meet their needs.

The next step is organization of these functions/actions in meaningful and measurable categories that can be cross-referenced into business functions by agency. This data can then be used to identify those functions/actions that are candidates for automation through the use of technology.

It is this data that can then be used to perform the process of defining a statewide System Architecture that, among other things, will identify those functions/actions that should utilize Application Systems and Technical Infrastructure 'shared' by some or all Agencies.

If our leadership is wise, it will ratchet down the costs of doing business and concurrently optimize revenue sources by employing the most powerful weapon in its arsenal, information technology. It will use IT strategically to help drive down the administrative expenses of internal functions like human resources, finance and training and reduce program costs by sharing common functionality in areas with similar client populations like health, human services, law enforcement and education.

ASSUMPTIONS

We approached the charge of improving the way South Carolina does business with several assumptions:

? The state and its citizens desire e-government, that is, access to information that is best delivered when unified IT architecture, infrastructure and enterprise applications provide tools for improvements in fiscally responsible planning, management and leadership. (This assumption is based in part on citizen surveys and focus groups conducted by the MAP Commission).

??? The state intends to strike a balance between centralization and decentralization with policy, architecture and standards centralized and execution consistent with that policy, architecture and standards generally decentralized.

??? The people within state government charged with leading and managing the enterprise will be of a skill level appropriate to the tasks they undertake and will have available to them the training and resources necessary to be effective both initially and as technology evolves.

GOALS

In addition to these assumptions, we adopted three goals related to information technology:

??? Improve the way government does business
??? Increase the value of the services the government provides
??? Focus on value rather than cost

The IT Subcommittee approached these goals by employing three main strategies:

??? **Consolidation** – removing redundant systems, aggregating hardware and software purchases and reducing the labor-intensive work of managing the government's technology infrastructure.

Category	Sample Initiatives	Potential Cost Reduction	Comments
Consolidation	??? Web servers ??? Data centers ??? Mainframes ??? Help desks ??? IT spending ??? Portals ??? Telecommunications	20-40%	??? Improves economies of scale ??? Redundant IT systems can be eliminated and headcount reduced

Source: Deloitte Research: Cutting Fat, Adding Muscle, July 16, 2003

??? **Outsourcing –** reduce long-term costs by using the outsourced companies' ability to scale resources rather than increasing the size of internal resources; transfer on-core technology and accountability to outsourced specialists.

Source: Deloitte Research: Cutting Fat, Adding Muscle, July 16, 2003

Category	Sample Initiatives	otential Cost Reduction	Comments
Outsourcing	??? Data centers ??? Storage services ??? Application maintenance ??? Help desks ??? IT infrastructure	Up to 20%	??? Shift to lower-cost provider who performs function as core competency ??? Replace fixed costs with variable costs ??? Management time and resources freed up

✍ **Sharing –** share systems across all or domain related (interest area) agencies, wringing savings out of current technology spending by optimizing operational efficiencies.

Category	Sample Initiatives	Potential Cost Reduction	Comments
Sharing	✍ Enterprise applications ✍ Disaster recovery ✍ Data Centers	10 – 20%	✍ Stovepiped spending wastes tax dollars ✍ Eliminate redundant purchases of same or similar hardware/software

Source: Deloitte Research: Cutting Fat, Adding Muscle, July 16, 2003

These three strategies have been applied throughout the committee's work. To best approach our goals and strategies, we broke into four (4) focused task forces: customer service, governance, enterprise infrastructure/architecture/applications and information technology procurement.

CUSTOMER SERVICE

What do the state's internal and external customers want and how can we provide it most efficiently?

"The true value of e-government is that it helps government deliver enhanced services to citizens and businesses and makes government operations more efficient."

- E-Government Leadership: Engaging the Customer, The Accenture Report

> *Finding:* **Citizens have increasing expectations about the type and amount of information they should be able to acquire through the Internet. They have a growing anticipation that they should be able to transact business without taking time away from work or family. The current decentralized nature of South Carolina state government frustrates citizens who perceive their government to be inefficient since they are unable to locate information or receive services without navigating a maze of unconnected and duplicative Internet sites. This conclusion is based on citizen and state employee surveys and focus groups conducted by the Customer Satisfaction Committee. Citizens view "state government" as a single entity and the lack of shared information between agencies and inconsistent Internet services only magnify this frustration.**

Recommendations:

1. *Create a vision and strategy for customer service management to be efficiently implemented. Measurement of satisfaction is a must. The cost of the US postal service, phone, or personal interaction far exceeds the cost of delivering customer service electronically so the state should focus on delivering the predominance of this service through the web. This planning process should include the following:*

   ✍ A committee comprised of qualified professionals from within state government and the private sector should be commissioned to build both the plan and the criteria for measuring its success.

   ✍ As part of a business process assessment, business analysts should put themselves in the minds of their customers, South Carolina citizens, to understand how they perceive the problems and potential solutions

?? The state's agencies should work together with this committee to implement a master plan for offering high value digital customer service for as many things as possible.

2. ***Design and build a single web portal that offers aggregated information about the state – benefits, government, attractions - using standardized templates, content management and Customer Relationship Management (CRM) systems[12]. All agencies must participate in the top level organization and adopt a common "SC" look and feel. This single portal would provide:***

?? A single point of entry to all state services

?? Consistent look and feel for the state, extending and clarifying its brand and brand message

?? A common transactional engine facilitating credit card and other payments as well as an audit trail for all income accounts.

?? Provide feedback for a web service committee that helps set priorities for enhancements

3. ***Create a statewide, managed intranet that meets privacy and security needs through which the state's internal customers - employees - can access key information including human resources, retirement, schedules and forms.***

4. ***Create a state clearinghouse – Citizen One-Stop – using a combination of knowledgeable people and workflow software to handle citizen queries and complaints. Working in conjunction with the Governor's existing Ombudsman's Office, Citizen One-Stop offers citizens a single point of entry or pipeline into government that can increase access, reduce citizen frustration and increase accountability. Inquiries into a single shared database would follow an electronic workflow process with inquiries assigned to a single agency for response. System reporting capabilities would enable managers to track response times and increase accountability for satisfactory completion. This same centralized data can be mined for opportunities to realign resources and decrease overtime with needs.***

Evolution of a mature e-government requires the delivery of information and services to citizens and employees in harmony with efficient government processes that ease access to services. Mature e-government offers easy access to services for all citizens and generates a positive public image. .

Fiscal Impact: **Citizen self-service can reduce the time and cost of many activities.**

1.   Transition High-Cost Customer Service to the Web

Regardless of the jurisdiction or agency, citizens interact with government through one of five channels. Unfortunately, the most commonly used channels are also the most expensive for government to maintain. The heaviest interactions are, and will be for some time to come, by phone. Government should strive to improve overall efficiency by making as many services available by self-service as possible, but recognize that some services cannot be effectively delivered this way. Any e-government initiative must be planned to include continued human intervention when needed.

Software should be used in combination with the various forms of human contact to centralize requests for service and other inquiries, distributed this requests to the proper servicing authorities and track to completion all requests. By centralizing data from and for all sources, S.C, One-Stop can enable the efficient handling of issues and provide a single source of status based on a one-stop tracking identifier.
The following hypothetical table shows comparative and proportionate costs of customer service which South Carolina can use to extrapolate real savings.

---

[12] A similar approach has been taken by the State of Virginia in their Department of Technology Planning http://www.myvirginia.org/cmsportal/vipnet_987/services_1145/information_1962/index.html.

Contact Type	Unit of Measure	Projected Quantity	FTE Cost/ Hour	Contacts/ Hour	Cost/ Unit	Annual Cost to Service	25% Conversion to Email/Live Chat
In Person	Visit	50,000	$25	6	$ 4.17	$ 208,333	$ 156,250
Mail	Letter	200,000	$25	4	$ 6.25	$ 1,250,000	$ 937,500
Phone	Call	1,000,000	$25	12	$ 2.08	$ 2,083,333	$ 1,562,500
Email	Email	500,000	$25	20	$ 1.25	$ 625,000	$ 815,625
Website*	Visit	3,000,000	$25	1000	$ 0.025	$ 75,000	$ 75,000
Online Live Service	Chat Session	500,000	$25	16	$ 1.56	$ 781,250	$ 781,250
						$5,022,917	$ 4,328,125

* Cost amortizes site support and enhancements.
Potential savings: 14% of customer service costs are cut when 25% of higher cost contacts are converted to web or email.

2. Integrate All State Agencies into SC Portal

The state spent at least $9 million in the fiscal year ending June 30, 2003 on costs of internet and intranet development. This is consistent with reported expenses in each of the two previous fiscal years. Because many agencies do not report their expenditures to the Office of the CIO or use different accounting codes to identify these costs, actual expenses may be much higher. A staff count from links through the MySCGov website (http://www.state.sc.us/stateage.html) identified more than 155 websites that did not match the state's look and feel, taking away from the "one government" approach other states like Virginia are pursuing. By acquiring a commercially available content management system and associated implementation and training and requiring that all state agencies include all top level public information within a single application, the state can enhance the consistency of its message and user experience to both SC and out-of-state site visitors while simultaneously reducing the overall cost of web development.

Potential savings: $6 million/year[13]

3. Intranet

Cost of processing a single sheet of paper is in excess of $100 according to a 1997 Business Week study. The recent Bearing Point ROI analysis for a statewide resource planning system suggested that the cost of processing a single invoice for payment is about $24. Assuming that 63,115 state employees[14] submitted only 4 written forms per year, or a total of 252,460 forms, the cost to SC taxpayers for processing those forms is about $6 million each year. The table below shows potential annual savings based on conversion to online database forms. Additional and less tangible savings result from ready access to calendars, retirement information and much more. Could save the state millions in printing, postage, data entry costs each year.[15]

Forms Per Employee	Current Cost	25% Savings	50% Savings
1	$ 1,577,875	$ 394,469	$ 788,938

---

[13] We believe the $9 million to be conservative, however it is the only quantification of costs available due to decentralized IT planning and purchasing. The annual saving is net of an anticipated $3 million/year investment in software maintenance, enhancement, and training. In a 1997 study, Business Week concluded that every business communication cost approximately $100 in time to date stamp, copy, enter for tracking, sort, deliver, approve, and resolve. If their higher number was applied the savings would increase exponentially.

[14] The number of permanent state employees as of September 11, 2003 is 63,115. Source: OHR

[15] According to Gartner, the average document is copied either physically or electronically, nine to eleven times at a cost of about $18; documents cost about $20 to file; and retrieving a misfiled document costs about $120. There are many hidden and not-so-hidden costs associated with paper documents, including costs for on-site and off-site storage electronic media, physical plant (e.g. filing cabinets and floor space), postal and other distribution costs.

2	$ 3,155,750	$ 788,938	$ 1,577,875
4	$ 6,311,500	$ 1,577,875	$ 3,155,750
10	$15,778,750	$ 3,944,688	$ 7,889,375

Potential savings: $5 million/year in first year with increasing, sustainable savings of $8 – 12 million/year.

4. **Constituent Clearinghouse**

South Carolina currently requires citizens to inquire about government services in time-intensive, cumbersome ways. Agencies, in like manner, receive inquiries independent of each other and, often, invest redundant resources in solving a single problem. The SC Clearinghouse would use technology to supplement human interaction to route inquiries from phone, fax, mail and the Web through a trackable workflow system. The SC Clearinghouse would:

- Provide a single entry point for seamless communication to any department for services;
- Standardize request and response format;
- Facilitate accountability for responsiveness;
- Link service request orders to other systems to facilitate tracking and efficient use of resources;
- Manage workflow resources;
- Identify problem areas and facilitate service delivery and closure;
- Improve allocation of resources;
- Consolidate reporting to eliminate duplication of paperwork and effort, and
- Continuously build knowledge and intelligence.

We estimate the cost to purchase, install and train on off-the-shelf commercially software at $3.5 million EXCLUSIVE of state employee staff time[16].

Projected Savings: $6 million annually plus potential for reallocating scarce resources more productively.

Projected Benefits: Increased accountability and citizen satisfaction – priceless

5. **Business One Stop (BOS)/Clearinghouse for Small Business**

A study by the Information Resources Council found that 54 hours were required to complete all of the regulatory and taxation paperwork to start a small business. In addition to that time, another $1,050 is typically required for accounting and legal services associated with a small business start up. There are 97,400 small businesses in South Carolina today and approximately 10,000 new businesses are begun annually[17].

The goal of the Business One Stop (BOS) is to reduce the time, and thus expense, for small businesses to complete initial paperwork when they enter business. Additionally, the BOS project will greatly reduce the time necessary for business to process tax payments (including quarterly sales tax, unemployment insurance, workers compensation, etc.).

We conservatively estimate that the BOS process can reduce the time to complete paperwork for small business by 10 hours, and similarly reduce the data entry time by state employees. An average of 10,000 new businesses start up in South Carolina each year, forming the backbone of the economy. SC Business One

---

[16] The amount of time wasted by the average knowledge worker on document-related non-value-added tasks will increase to between 30 percent and 40 percent of their time in 2003. Enterprises must bring both internal and external content under control to increase productivity. Source: Gartner.

[17] Small Business Development Corporation, SC.

Stop could save small business $3 million per year. Similar savings can be expected for government through efficient processes. The committee has prepared a detailed analysis of the cost to implement.

Potential savings to business startups: $3 million

Potential savings to state: $3 million

Lead Authority: Department of Commerce and the Office of the CIO

Timeline for Implementation: 1 year beta; 2 years full

GOVERNANCE

How are technology decisions made and how can the decision-making process be enhanced to drive efficiency?

Finding: **While we have established a position in the Budget and Control Board with the title CIO, the State of South Carolina has not realized the benefits of this position because it has too little authority. The SC Office of the CIO has only limited influence over the technology decisions of decentralized State agencies resulting in duplication and wasted time and money. From our identification of myriad duplicative applications and non-communicating systems, it is clear that South Carolina will benefit from placement of a business-savvy CIO with a global view of best technology practices and uses across state agencies.**

Many other states have discovered significant cost savings, increased efficiency and improved customer service through the judicious management of information technology[18]. The private sector has operated on its conclusion that information technology is best managed through a shared infrastructure, even when it involves subsidiaries that are in different businesses. To accomplish these efficiencies, they have established an authoritative Chief Information Officer.

Recommendations

1. Establish a Chief Information Officer (CIO) reporting directly to the Governor with statutory authority over IT planning and spending for all agencies and a significant role in the budget process[19] for all IT expenditures. Revise and pass legislation to support this recommendation. Without appropriate authority, the CIO gradually becomes irrelevant because conditions remain in place that enable non-compliant agencies to circumvent objectives the CIO is trying to accomplish. *(See suggested to pending legislation)*

2. The CIO should establish a set of principals governing the use of information technology. These standards should be based on best practices in both the public and private sectors and should be reviewed at least annually by the advisory council of private sector CEOs and CIOs with the state CIO.

---

[18] Virginia, Pennsylvania, Michigan and others.

[19] Through 2008, since the primary challenges of the Public Sector CIO are organizational rather than technical, success of the CIO depends on the organizational clout provided by the relationship with the CEO or the authority vested in the CIO by the CEO. *By Gartner 2003, with permission.*

3. The Office of the CIO will establish 'procedures and processes' related to the management and funding of technology insuring the following items are included:

   a. Institute a comprehensive business planning process to set strategic direction

   b. Develop an information technology plan to support the overall plan

   c. Change the budget process to treat the funding of information technology uniquely and to create a funding source for enterprise-wide initiatives

   d. Increase investment in technology training

4. All IT projects and expenditures must be part of the State's IT plan. The process for approving IT projects and expenditures above $25,000 **or** which have multi-agency utility should follow a three tier review:

   a. Business case review by a peer agency review

   b. Technical review by two or more agency CIOs and the state CIO

   c. Advisory council of private sector CEOs and CIOs with state CIO. The advisory council should be tasked with providing concurrence with the findings of A and B above.

   A waiver process should be established that permits Agency Directors to pursue IT projects unique to the mission of that agency when the business case warrants such a waiver.

   All projects and expenditures of a non-remedial or urgent nature must pass through this review to achieve approval.

5. The CIO's office should operate under a fee-for-service model with all revenues and expenses open to the view of agencies and the public. Overhead accounts should be used solely for IT related projects and rates and overhead accounts should be audited annually. Services offered through the fee-for-service model should be at or below market prices and delivered and offer warranties appropriate to private and other public sector providers for the same services. **See IT procurement recommendations for detail.**

Fiscal Impact:

1. **Authoritative CIO.** The fiscal impact in the short term should be minimal if not neutral. In the long term, significant cost savings should be realized as new systems come on line consistent with the CIO-defined architecture and standards.
2. **Governing principals.** Similar to above. Established guidelines will transition agencies from ad hoc planning and purchasing to continuity and ongoing improvement.
3. **Procedures and processes for IT decision-making.** Enhancing the technology decision-making process, building business cases for acquisition of new systems and services, and standardizing the approach to application purchase and customization will have the effect of reducing the cost and time to implement of all IT projects in SC State government.
4. **Centralized IT project approval.** Today, IT projects are approved and implemented with only occasional coordination with the Office of the CIO today. Similarly, the total costs of projects and personnel are accounted for within most agencies, precluding accurate estimates of the real cost of technology in South Carolina today. Reports from the Comptroller General's Office from the close of FY 2002-3 indicate that total IT spending was greater than $ 223,595,097. Applying metrics from Deloitte Research and applying it ONLY to the known Information Technology expenditures, the benefits of using carefully-planned and coordinated technology to business processes can create efficiencies as demonstrated in the table on the following page.

Ways Technology can Save Governments Money					
Reduced Work Force Costs	Reduced Processing Costs	Reduced Paper Costs	Better Prices on Goods and Services	Reduced Travel and Training Costs	Reduced Fraud and Abuse
18%	12%	17%	15%	10%	8%
$ 40,247,117	$ 26,831,412	$ 38,011,166	$ 33,539,265	$ 22,359,510	$ 17,887,608

Source: Deloitte Research

Lead Agency: Office of the CIO with Advisory Panel

RECOMMENDED CHANGES TO BILL S. 620

Section 1-3-315 (3)	Governmental Body does not mean colleges, universities or technical colleges when procuring IT related to academic and research activities.
Section 1-3-320 (B9, 10, 11)	Add to end of each sentence: "who is a CIO or CEO who is IT technically knowledgeable."
Section 1-3-320 (F8)	Add new paragraph F8: " Cause an annual audit to be conducted of fee structure and overhead accounts charged for IT services and approve fee schedule for the next fiscal year."
Section 1-3-330 (1)	Insert "5-year" between statewide and strategic.
Section 1-3-330 (7)	Leave item as is, since it is not detrimental, even if not necessary.
Section 1-3-330 (14)	Insert between department and to be collectible " must establish fee schedules with approval of the IT Council".
Section 1-3-335 (4)	Insert between methodology. and All, The approval process shall at a minimum include a business case review and a technical review".
Section 1-3-400 (2)	Insert between construct, and or organize " contract for services".

ENTERPRISE INFRASTRUCTURE, ARCHITECTURE AND APPLICATIONS

How can the state combine functions across all or some agencies to reduce cost and improve communication?

Finding: **Today, South Carolina Information Technology is planned and procured in a highly decentralized manner. Over time, as individual agencies sought to meet their unique information technology needs, they became more and more independent of any central IT organization. They designed and built their own networks, data centers and application suites, bought their own servers, software and security systems and hired their own people to manage and maintain their growing IT organizations. From a government-wide perspective this growth was rarely well-planned or managed.**

The result of this decentralization is swollen technology infrastructures, redundant systems and applications, misaligned resources, stovepiped business processes, disorganized

> *computing environments, incompatible computer systems and huge IT support organizations. This not only wastes millions of taxpayer dollars each year, but also leaves government IT systems potentially more vulnerable to security breaches. In addition to being a waste of taxpayer money, this duplication can result in the situation we find in South Carolina where agencies are unable to communicate with one another and with their customers having to visit multiple organizations and complete multiple forms to gain access to services and information that should be integrated.* [20]

---

[20] Source: Deloitte Research – Cutting Fat, Adding Muscle.

Recommendations:

1. **All IT planning, standard-establishment and policy setting should be centralized. Identify and consolidate common business objectives and the applications required to serve those objectives so the state can take advantage of economies of scale. Focus on fewer and more standardized platforms and applications.**

2. **All agencies must participate in a statewide inventory of existing hardware, operating systems, software/applications. This inventory should be automated with commercially available software.**

3. **Complete development of an Enterprise System Architecture. The purpose of such architecture is to provide a context of how technology is utilized within the enterprise and a road map for continual improvement/modification in the future. The major components of an Enterprise System Architecture are:**

    - **Business Structure – the organizational entities which make up the enterprise and their responsibilities**

    - **Information Architecture - enables an organization to understand its business in terms of the activities it performs in relationship to external entities and the major information (data) flows between these entities.**

    - **Business Systems Architecture - models the various Application Systems and their relationship in support of the Information Architecture; systems must communicate with each other.**

    - **Technical Infrastructure Architecture - defines the physical environment or technical infrastructure (i.e.: platforms, networks, operating systems, enabling software) required to implement and operate the Application Systems defined in the Business System Architecture.**

4. **The governor[21] and an interim council of his creation should place a temporary hold on further development of approved or proposed IT initiatives that are or could be viewed as having multi-agency applicability until a permanent Governance structure is in place[22]. The office of the Interim CIO should provide a list of those projects put on hold. Examples of these initiatives include but are not limited to: Financial and Human Resource management systems (SAP/SCEIS), Geographic Information System (GIS) data development, Business One-Stop (SC BOS) and communications systems (800Mhz). Note: The IT Subcommittee does not necessarily advocate the termination of these approved projects but believes they can be improved and leveraged across multiple agencies by following the recommended centralized IT review process found in the Governance section of this report. A list if the known IT projects was compiled from projects reported to the Office of the CIO.**

5. **The business case review of any new applications must include an analysis of "business readiness." This review will demand that relevant agency business processes are efficient to maximize the ROI for citizens.**

---

[21] As the approval of legislation to provide expanded authority to the office of the CIO and the search and acquisition of a qualified CIO may take up to one-year, it is critical that an interim authority be created and empowered.

[22] While state supported colleges and universities may be outside some recommendations of the MAP Commission, those recommendations related to multi-agency applicability apply to all state agencies, including state-supported colleges and universities.

Fiscal Impact: **All IT planning, standard-establishment and policy setting should be centralized**. A good example of savings would be the selection and customization of a single case management system for client services within the health and human services cluster. All agencies within the cluster can view the same client and case number but data is filtered based on their line of business. A common characteristic of these programs is that data is built around case files rather than financial transactions or events. In most of these programs, many people, programs and agencies may ultimately be involved in providing services to the client and there is often a need to share data among those who work on these cases. A common client identifier can also reduce the potential for duplication and make fraud more visible.

While case management may be a specialized service not needed by all agencies of government, with proper definition 'shared services' can be used across areas for tremendous savings. The table below provides some understanding of potential savings.

Agency	Eli-gibles	Average # Services	Contacts/ Year (2)	Total Contact Volume	Cost/ Instance (C/I) (3)	Total	Revised C/I	Revised Total After CMS (4)
HHS	900000	3	2	5,400,000	$25	$ 35,000,000	$17.50	$ 4,500,000
DSS	300000	4	2	2,400,000	$25	$ 60,000,000	$17.50	$ 2,000,000
DHEC	300000	2	1	600,000	$25	$ 15,000,000	$17.50	$ 0,500,000
				8,400,000		$210,000,000		$147,000,00
					Estimated annual savings from technology			**$63,000,000**

Note 1. HHS number of eligibles is accurate for 2003. Eligibles for DSS and DHEC are fictional for purposes of example

Note 2. Estimated number of contacts an eligible has with the agency in a year

Note 3. Cost per instance is based on the average cost of completing a form.

Note 4. The revised cost after CMS assumes a web interface for caseworkers and shared data store with appropriate security

Another example relates to training. DMH made its mandatory HIPAA training available through a web-based system while other agencies handled their by face-to-face training conducted regionally. Based on a full-loaded hourly cost/employee of $50/trainer and $25/trainee, a half day's training costs for 10 people is greater may cost the state $2,500 to $3,500 assuming 40 hours to design training course + materials. The same course delivered online at the convenience of the state/employee, could be as little as $500.

Potential Savings: $1 million/year

2. **IT inventory**

The State of South Carolina operates a data center that anecdotally supports "any operating system." Additionally, mid-size and small data centers operate within many agencies and the Office of the CIO does not know the quantity, nature, the size, or the age of hardware and software resident at the agency level. Identification of statewide resources with eye toward reallocation for improved efficiencies is the first step in optimizing standards that lead to economies of scale. Several years ago this would have been a long and cumbersome process. Today, new electronic tools can dramatically slash the time to complete by automating the inventory process. Strategic Asset Management (SAM) technology can automatically identify and analyze all devices currently attached to a network slowing agencies to figure out in days, not months, just what IT assets they have, how they are configured, how they are being used and how they are performing. The ability to track utilization in new real time can help agencies maximize IT assets on a continual basis. Computers, servers, storage systems, networks and software licenses are among the computing resources that are chronically underused. Reallocation of those resources can reduce planned investment.

☞ One company cited by Deloitte Research scanned its assets and discovered that 65% of its networks were underused. Additionally the purchasing department was able to cancel a router order of $750,000. Altogether their client identified $33 million in savings from consolidation initiatives implemented as a result of information gained in the inventory.

☞ The state of Michigan saved $1.5 million/month by consolidating multiple state networks.

Potential savings: To be determined.

3. Complete development of an Enterprise System Architecture

The state's IT assets are likely to fall into one of three categories following completion of the Enterprise System Architecture: specialized services, shared services and common services. The goal is to move as many IT assets as possible into the common services category where they can be consolidated across the enterprise by a process of relentless simplification and standardization. The resulting savings can then be invested in productivity-increasing shared and specialized applications. Leverage application systems across the organization. Opportunities to reduce costs are most likely to come through cost avoidance by leveraging the investment an agency has already made in the technology across the enterprise. The State of Virginia estimates that Virginia cities and counties can save $10 million in avoided costs by using the spatial data infrastructure (GIS) it has developed to map the state's land base.

4. Place a temporary hold on further development of approved or proposed IT initiatives that are or could be viewed as having multi-agency applicability.

Some agencies have provided some information while and many agencies failed to provide any input. We believe review of the proposed projects and a more a collaborative approach to their development may provide significant savings and operational efficiencies. Several follow.

☞ **SCEIC (SAP Project)** The state has begun to recognize the advantages "leveraged" application software can provide in its 2003 SCEIS Business Case Study. The state recognized agencies use nearly 170 different applications to manage their finances, procure goods and services, manage human resources and pay employees. The state envisions replacing these systems with a single statewide enterprise information system including financials, payroll, budgeting human resources and procurement.

Savings estimated by the current vendor is estimated between $97 and $130 million/year after a 5 – 6 year implementation with breakeven reached in the 5th year following approximately $62 million invested. The state's IT Directors are not convinced that this proprietary system is the best fit for the state and would like to compare prospective ROI with alternate vendors they believe can be purchased from an open source vendor and implemented for $300 to $400,000 per agency rather than $1 million + and within 1 year rather than 5.

Potential Savings: To be determined

☞ **Geographic Information Systems (GIS)** State agencies operate as many as 18 unique GIS systems in South Carolina today with multiple projects on deck for 2003-2004 fiscal year. At least one agency, the Department of Natural Resources, which is upgrading all maps through 90% Federal funding, has offered to share its data with all agencies plus municipalities throughout the state. Sharing with county and municipal governments can reduce their cost of operations for the further benefit of South Carolinians.

Like many projects in state government, what is really needed is coordination of data development efforts so sharing can be improved rather than having multiple agencies creating the same databases. For example, DOT, DNR and the State Budget and Control Board (B&CB) have each developed road databases at considerable cost to the tax payers. This Subcommittee has been told that these

three organizations could have shared a single database rather than three. Each agency had a very good reason for developing the database – all would have benefited from coordination.

The true benefit here comes from the global vision of the CIO and the business review process that forces collaboration. Coordinated development of GIS data and applications has generated tremendous savings for state, county and local governments throughout the United States. For example:

- North Carolina applied GIS statewide to routing of their school busses and was able to show the following cost savings:
- 500 fewer buses were needed statewide than originally estimated
- 15,000,000 fewer miles per year were driven than originally estimated
- Between 1990 & 1996 the state saved over 2,000,000 gallons of fuel
- Philadelphia saved over $1,000,000 in overtime through better garbage truck routing
- Wyoming found 250,000 parcels of land that were not correctly taxed
- City of Ontario, CA generated $190,000 in lost business licenses
- Scottsdale, AZ used GIS to challenge the Census Bureau results and increased federal grants to the city by $1.8 million per year

Studies on the cost/benefit of implementation of GIS have overwhelmingly demonstrated the value of the technology to improving business process and the multiplier effect of cooperative data and application development. University studies have indicated that the following is true:

- Automated Mapping System Only –Cost Benefit Ratio 1:1
- Used for Planning and Engineering–Cost Benefit Ratio 1:2
- Use Shared Data Among Multiple Agencies–Cost Benefit Ratio 1:4
- For Agencies with Poor Business Process–Cost Benefit Ratio UP TO 1:7

Potential Savings: Direct GIS costs $5,000,000

Avoided costs/tangential savings: $3,000,000/year

5. Analysis of "business readiness"

Organizations frequently fail to assess and improve business processes in advance of adopting new technologies. The result is technology that mirrors and only slightly improves an existing inefficient process. All agencies should eradicate out-of-date ways of doing business and streamline processes before formalizing the plan to change management systems. Exercises similar to the restructuring process the SC Department of Commerce recently undertook and the MAP Commission extended to Department of Social Services, carefully reviewed the agency's mission and core competencies during a zero base budget process and realigned its resources to better match its mission. The resulting efficiencies should offset costs of implementing new other initiatives of the agencies.

Cost savings: Estimate 3%/agency for total net economies of up to $150 million/year

Lead Authority: Office of the CIO in consort with Agencies

Timeline for Implementation: One year from placement of CIO

IT PROCUREMENT

What procedures should be in place for defining and acquiring the appropriate software and capabilities needed to run the selected functionality?

"When I was asked to become a state CIO, I responded by giving one condition; that I would control the technology procurement process. It was clear to me, even being new to the field, that the role of the public sector CIO will not be successful if procurement decisions are made elsewhere."

John Kost, Managing Vice President, Public Sector-Worldwide, Gartner and former CIO, State of Michigan

Finding

IT procurement in South Carolina is neither competitive nor consolidated for optimum pricing. In most cases, individual agencies select operating systems, applications and vendors to implement software applications without consulting the Office of the CIO or communicating and cooperating with other agencies for best discounts.

Agencies distrust the office of the CIO and current fee-for-service model of acquiring mandated products and services. Agency personnel believe they can often procure the same products and services directly from the vendor at a lower rate.

Recommendation:

1. **The State should not be in the software development business. Application Systems will be acquired utilizing the following development/maintenance strategy:**

   ? **Purchased commercially available off the shelf software package utilize "as is" with no development and/or modification .**

   ? **Purchased commercially available off the shelf software package as a "base" with customization to leverage vendor upgrades [want to drop the "internally" since it seems to suggest no consultants or outside experts can be hired.**

   ? **Internally developed and maintained software applications. Unique requirements identified through the governance decision-making process may be approved as an exception to the standard.**

2. **Planning and budgeting processes will consider the life cycle of hardware and software so appropriate cyclical refreshment programs and budget priorities are implemented.**

3. **Procurement and Information Technology Planning should be appropriately funded by the legislature. If appropriate resources are not made available through legislative appropriation, the procurement office may self-fund through fees for services rendered. No fee greater than the minimum required to fund the CIO's budget for procurement services should be retained and all fees should be open to the State's Chief Budget Officer and the public. Any fees collected for services greater than that required for the tight operational budget of the CIO's office should be used to reduce charges to agencies in the subsequent year. A grievance process should be established to allow any agency that finds like services at a substantially different price than those furnished through the CIO's office to present their case and recommend action.**

4. Procurement regulations must be changed to increase competition and access[23].

5. Information Technology procurement should reside within the Office of the CIO as the CIO is better positioned to understand how technology applies to business objectives for a single agency or across multiple agencies. IT procurement must be viewed differently from traditional [suggest term "commodity""] "garden variety" procurement, which is driven largely by low cost. IT procurement must be sensitive to quality and total cost of ownership (TCO) and have both an enterprise view and an understanding of the value of time. We should take our lead from the current initiative in Virginia, VITA.
(http://www.proreform.vigirginia.gov/documents/finalbuyingsmarter070103.pdf).

The office of the CIO should take ownership of master contracts that are available for use by the agencies for various systems such as operating systems, database, enterprise resource planning and customer relationship management software, application development services and enterprise integration. Agencies should continue to be responsible for applications, solutions and data modeling that are unique to their mission-critical programs, as long as this uniqueness is a function of the types of services rendered by the agency rather than historic quirks in the process.

Fiscal Impact:

1. **Software development.** Only under the most unique circumstances should an agency consider custom development and then the agency should rely on the resources of a third-party vendor to develop or integrate it. South Carolina has dozens of custom-built applications with little or no support or documentation. In some cases, these specialized applications jeopardize the ability of the state to do business effectively by creating bottlenecks or barriers to change. By purchasing and customizing off-the-shelf applications and outsourcing the support of customized applications, the State can rely on the vendor's ability to scale resources when needed rather than the Agency.

   Potential savings: Deloitte Research estimates savings of outsourcing of up to 20%. A $5 million application developed internally using this metric would cost as much as $1 million less if outsourced.

2. **Life cycle of hardware and software**. Replacing systems and software should be based on need rather than a cutting edge standard. Not all personnel in all agencies require the current release of software or the fastest processor. In fact, these investments may be an extreme waste of money with negligible improvement. If, for example, the state wanted to upgrade 14,000 employees to the Windows XP operating system, the cost to the state might exceed $1 million. Most employees do not need XP and would conduct their daily business quite efficiently on Windows 98, 2 versions previous to XP.

   Similarly, upgrading CPUs, or processing units, while retaining current monitors and keyboards, could reduce hardware purchases. Using the same 14,000 employees and an estimated the state could save $2.1 million by not replacing the keyboard and monitor at a conservative $150 each.

   Cost savings: $3 million/year

3. **Cutting Costs through Standardization.** Common services represent the bulk of most governments' IT spending. It includes all the IT services that agencies need to function in today's

---

[23] The State of Virginia projects annual savings to Virginia taxpayers as the result of new procurement initiative will conservatively save $25 million to $30 million each year. The Virginia Partners in Procurement (VAPP) pilot project negotiated statewide contracts in nine spending categories, harnessing the full purchasing power of state government and institutions of higher education to get the most favorable prices and value on goods the state uses every day.

information age, such as Internet connectivity, servers, routers and data storage. These utility-type services constitute upwards of 70 to 80 percent of many governments' IT spending. Standardizing and consolidating these services across the organization—or outsourcing them —can result in large cost savings because most governments try to operate these assets in a fragmented and uncoordinated way at the agency or division level. Fewer computing platforms mean fewer licenses to purchase and maintain, lower support and management costs and reduced cost of training with concurrent increase in depth of training.

While it is difficult to project costs prior to completion of an inventory, we conservatively estimate annual purchases of *on utility-type products and services at no less than $10 million to which we a*pply the *30% saving through consolidation and an estimated expenditure .*

Cost Savings: $5 million/year

Consolidating systems:

Email

Consolidate state email systems into a common infrastructure, reducing cost for hardware, software and support with the added benefit of being able to communicate better across the organization.[24] According to the Office of the CIO, each agency owns and manages its own email but for 6 small agencies which the CIO supports. With today's web-based email administration, no agency should need to trouble itself with the hassles of email.

Estimated cost: $50,000/agency (very conservative)

# Agencies	Cost/Agency	Total	Consolidated Cost (-30%)	Savings/Year
70	$ 50,000	$ 3,500,000	$ 2,450,000	$ 1,050,000

Potential savings: $1 million/year

Transaction processing

According the Y2K report of January 2002 from the Office of the CIO, there were 1,279 independent online transaction applications running in SC state government. By consolidating support and management, economies of scale can be achieved; by connecting through a common accounting system, we can achieve as a higher degree of tracking and performance.

---

[24] Large private sector companies such as DuPont, DaimlerChrysler, and General Motors have consolidated their email systems into one common email backbone, saving millions of dollars on maintenance and support costs.

# Transaction Systems (1)	Estimated Cost/Agency	Total	Consolidated Cost (-30%)	Savings
1,279	$ 5,000	$ 6,395,000	$ 4,476,500	$ 1,918,500

Potential savings: $2 million/year

Standardization of hardware and software

By defining standards for utility technologies and competitively selecting and contracting for larger purchases, state government can save as much as 30% on the purchase of hardware and software licenses. Because of the decentralized manner in which agencies procure and account for hardware and software purchases, it is impossible to determine the actual size of the State's annual investment in desktop and laptop computers, operating systems and other software. Using a conservative estimate of the state's total annual investment in hardware and software of $10 million, total savings of $3 million/year can be achieved using the consolidation metric.

Cost savings: $3 million/year

Note: In 1992 the State of Michigan went from 27 desktop platforms to 3 and 19 networks with resulting staggering efficiencies. Michigan's network consolidation saved $1.5/month or $18 million/year.

Potential cost savings: $3 – 4 million/year

Consolidation of Procurement

The State of Florida saved $11 million by consolidating IT purchasing.

Reduction of force

By reducing the number of platforms, the follow on cost of training and support decline proportionately. Dropping from an estimated 12 – 16 operating platforms to 2 consolidates hardware and software purchases for economies of scale, but also reduces the number of support staff required and necessary training for each platform. The added benefit is that the staff that remains can be better trained and compensated to expertly manage those systems.

Potential cost savings: $8 – 10 million/year

Most immediate savings opportunities

- Applications without interdependencies or critical software requirements (e.g., email server consolidation)
- Network optimization
- Server and storage consolidation
- Self-service data collection, employment databases
- Conversion of paper forms to database forms

Lead Authority: Office of the CIO

Timeline for Implementation: One year from placement of CIO. Quick wins include consolidation of email, inventory of agency systems and standardization of administrative hardware/software and their master contracts.

TRANSPORTATION

INTRODUCTION

The Transportation Committee of the MAP Commission focused their study and analysis on the state's transportation infrastructure and on the transportation of people. This was separated into (I) roads, highways and bridges, (II) transportation systems for health clients and school children, (III) the operations and maintenance of the state's fleet of vehicles and (IV) a State Travel Office. The committee did not consider the Division of Motor Vehicles because the General Assembly just created this new department. The committee also did not study mass transportation since it is primarily a local government and community issue.

Transportation services and systems were examined in detail. The committee collected data, such as agency mission statements, operational overviews, organizational charts, budgets, strategic plans and audits. Senior transportation managers made presentations to the committee and were interviewed extensively. Questionnaires and surveys were conducted. The transportation programs were compared to best practices in other states and the private sector. Additionally, a number of previous in-depth transportation studies were reviewed. After compiling current data and reviewing information from studies in years past, the committee concluded that many of today's problems exist because older studies' recommendations had not been implemented. Both current and prior data led the committee to restate previous recommendations and to make some new recommendations as well. The committee's recommendations when implemented can be expected to save taxpayers:

- ✍ $85,800,000 in recurring funds
- ✍ $17,200,000 in one-time funds.

FINDINGS & RECOMMENDATIONS

ORGANIZATION

Findings: **The state of South Carolina spends over $1 billion a year on roads, highways and bridges. The state spends another $300 million dollars a year transporting people. The committee concluded that it would be more efficient and effective if the transportation infrastructure and the transportation of people were separated. The Department of Transportation, without the Mass Transportation Program, could focus on its core competency and become the Highway Department.**

The transportation of people should then be consolidated into a separate new Transportation Services Management Office under the Governor's Office. The personnel, equipment and budgets for these programs that now reside in different agencies should be transferred to this new office. This would result in a consolidated program, whose sole mission is transporting people, and it can be done with less funding and employees than the separate programs require. This would also provide for the integration of organizational, managerial and administrative functions, as well as bring transportation experts together. The transportation expertise and experience in State Fleet Management and the Department of Education will benefit others. It would enable these programs to share or pool funds, facilities, vehicles, equipment and all other resources used for passenger transportation. It would insure that all state and federal funds are spent in the most economical and beneficial manner possible, while helping to insure delivery of needed and appropriate levels of coordinated public transportation services.
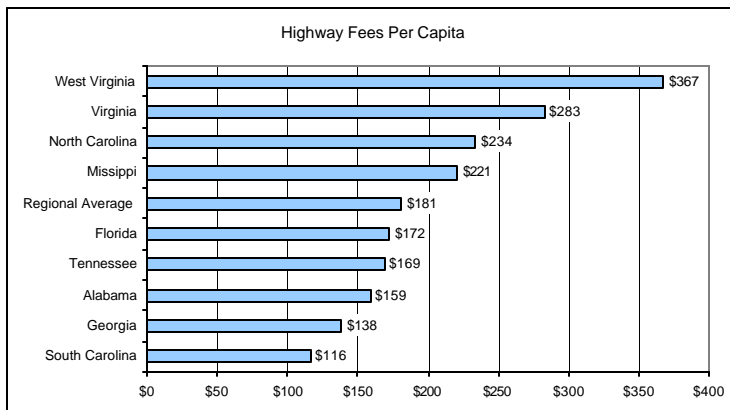
Recommendation: **Create a new state Transportation Services Management Office under the Budget and Control Board or the Governor's Office.**

Transportation Services Management Office

- ✍ Human Services Transportation Management
- ✍ School Bus Transportation Management
- ✍ Aeronautics Operations Management
- ✍ Mass Transportation Management
- ✍ State Fleet Management
- ✍ State Travel Office

ROADS, HIGHWAYS AND BRIDGES

Discussion. A good highway infrastructure is crucial to the economic health and quality of life in South Carolina. The results of the citizen survey show that 70.5% of the citizens believe that the state is doing a fair to very poor job maintaining the state's highways, only 29.5% think the state is doing a good to excellent job. The South Carolina Department of Transportation is charged with the construction and maintenance of the state's roads and bridges. Currently the SCDOT maintains the fourth largest state-maintained highway system in the country with 41,518 miles of highway and 8,254 bridges. Additionally, we have the third highest fatal accident rate in the nation, with a large percentage of these fatalities occurring on the 60% of roadways that do not qualify for federal funds. Not only are these roads in disrepair due to the lack of a state-resurfacing program, but there are also a large number of bridges on these roadways that will require repair or replacement within the next few years. According to SCDOT, South Carolina citizens provide $9,486 per mile of roads for construction and maintenance, compared to $55,401 in the southeast and $75,550 nationally. South Carolina has the lowest highway fees per capita in the southeast, and those fees have not been increased in twenty years.

Highway Fees Per Capita

State	Fee
West Virginia	$367
Virginia	$283
North Carolina	$234
Missippi	$221
Regional Average	$181
Florida	$172
Tennessee	$169
Alabama	$159
Georgia	$138
South Carolina	$116

Finding: **Funding for the maintenance and construction of roads and bridges needs to be increased.**

Recommendation: **SCDOT should analyze and then develop innovative ways to fund future projects, such as:**

- ✍ Evaluate gas tax rates to determine equitability and funding potential.

- ✍ Evaluate public/private toll roads like Hilton Head Island (good example) and Greenville Southern Connector (bad example to date).

- ✍ Evaluate impact fees on developers when major development affects connecting highways.

✍ Evaluate other methods where the actual users pay. South Carolina needs to more efficiently capture trucker and tourist dollars, since they greatly impact the highway system.

> *Finding:* ***The South Carolina Department of Transportation (SCDOT) is charged with the "Systematic planning, construction, maintenance and operation of the state highway system…" (SC Code §57-1-30). The committee concludes that significant savings can be accomplished by re-structuring the engineering group such that SCDOT personnel manage the functions with which they are charged rather than perform them. They can do this by contracting for surveying, engineering design, construction, testing and maintenance. Following are the Committee's recommendations for reducing costs, increasing accountability, improving service, consolidating similar functions and for actively promoting more partnering with the private sector.***

Recommendations:

Recommendations to reduce costs:

✍ ***Restructure some specific job functions*** by staffing SCDOT with experienced project managers and construction managers to manage and control projects and to develop a plan to gradually eliminate in-house design, surveying, construction inspection and testing forces. There appears to be a great deal of redundancy between in-house personnel and contractors. The salary and wage budget could be cut extensively, netting an estimated $15 million annual savings.

✍ ***Reduce the fees paid to engineering and surveying firms.*** SCDOT personnel estimate that in-house design costs run approximately 10-15% of a project's construction costs. Outsourcing to in-state engineering and surveying firms with a uniform fixed fee equal to 5-7.5% of the construction cost could result in annual savings of $20 million.

Other potential cost saving recommendations:

✍ ***Consider having a panel knowledgeable in the industry, but with no financial interest, to negotiate large or special design contracts.*** In the 27/7 project with a capital budget of $5 billion, project managers are contractors whose firms are also performing the design, resulting in less than an arm's length transaction.

✍ ***Continue to recruit and train surveyors and civil engineering firms of all sizes within South Carolina to produce plans and specifications to SCDOT and Federal Highway Administration standards.*** Pay a standard, fair, lump sum amount based on a percentage of the estimated project cost. The SCDOT should also encourage minority business and small business participation in this process.

✍ ***Develop standardized prototype specifications for each roadway and bridge type to simplify design, construction and inspection.***

✍ ***When practical, separate construction projects into two or three bid packages and directly manage all construction projects.*** A previous audit focused on the problem of the lack of competition among paving contractors. However, paving only represents about 10% of the construction cost for road projects. Consider breaking bid packages into two or three prime contracts, using construction management techniques, to promote competition. By reducing costs of construction through standardization and by elimination of requirements that add no value to the project, additional savings would accrue. With $700 million in capital projects annually, these changes could lead to savings that total $15 million annually.

✍ *Document the maintenance activities presently performed and determine which could be privatized.* Consider consolidating the balance of the SCDOT maintenance activities with counties. Maintenance is approximately $190 million annually, and savings through privatization could reach $19 million annually. It should be a department policy to continuously investigate opportunities to consolidate SCDOT and county maintenance activities that are not readily privatized.

Recommendations to increase accountability:

✍ *Clearly define the SCDOT role for "safety."* Utilize existing data collection from the Budget and Control Board's (B&CB) Research & Statistics Division to identify hazardous roadways and/or intersections and respond quickly with corrective actions. In cooperation with other agencies concerned with safety, coordinate appropriate responses to hazardous circumstances and conditions (e.g., safe roadways may involve raising driving license standards rather than paving shoulders).

✍ *Be more open and accountable in the methods of funding projects.* The 27/7 project commits a large portion of future federal highway funding over the next twenty years to service debt on projects that are needed now. The committee recommends SCDOT evaluate how these funds are to be replaced for future projects.

✍ *More fully evaluate the expense side of SCDOT.* It is important to be able to prove that SCDOT is as efficient as possible when requesting additional funds. During a recession, the private sector only has the expense side to work with, and if SCDOT took the same approach, they would become more efficient.

✍ *Examine projects on a "cost/benefit/safety ratio" basis.* The cost accounting and engineering design software being developed as part of the Project Management and Construction Management program should be completed as quickly as possible to aid SCDOT in doing cost/benefit analysis.

Recommendations to promote partnering with the private sector:

✍ *Identify interested surveying and civil engineering firms resident in South Carolina and initiate a training program to qualify firms for SCDOT work. This would include minority and small businesses in an effort to spread the work. SCDOT should also identify interested construction testing and maintenance companies in South Carolina and initiate a training program to qualify companies for SCDOT work.*

Fiscal Impact: The total savings identified for quantifiable recommendations above has a potential annual value of $69 million based on information based on information received from SCDOT. Additionally, there are several possible cost-savings or revenue-generating recommendations that could not be quantified without further study.

Lead Authority: SC Department of Transportation

Estimated Time Line for Implementation: The recommendations could be accomplished in one to two years.

TRANSPORTATION FOR HUMAN SERVICE CLIENTS AND SCHOOL CHILDREN
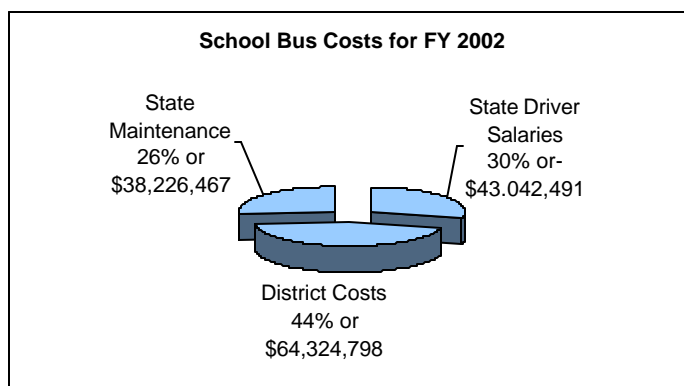
School Bus Transportation

Discussion. In 1951 the General Assembly enacted laws that vested the responsibility for managing, controlling and financing the South Carolina school bus system with the State Department of Education. The number of buses has grown from 2,400 buses transporting 178,598 students in 1951, to 6,219 route

buses transporting 446,241 students in 1981, to 5,020 buses transporting 357,353 students in 2003. South Carolina taxpayers spent $147,595,137 in FY 2002 transporting children to and from school.

The South Carolina school bus transportation system is the fifth largest consolidated bus fleet in the nation. South Carolina is the only state that owns and maintains the entire school bus fleet. The state ownership and maintenance of the buses have provided an economy of scale that has enabled the state to provide school transportation at one of the lowest costs in the nation. The 1996 Budget and Control Board report on school transportation efficiency cited National School Transportation Association data showing South Carolina as having the lowest per mile and per pupil cost in the southeast. This is not to say that the potential does not exist to increase the efficiency and/or effectiveness of the service delivery.

There are two separate parts to the current school transportation system. The State Department of Education is responsible for providing the school buses and maintaining them. The school districts are responsible for recruiting, hiring and managing the school bus drivers and for developing the routes and schedules.

School Bus Costs for FY 2002

State Maintenance 26% or $38,226,467

State Driver Salaries 30% or- $43.042,491

District Costs 44% or $64,324,798

The State Department of Education owns 5,725 buses (of which 5,020 are route buses) and operates 45 school bus maintenance facilities throughout the state. There are 464 personnel (302 mechanics) working in school bus operations, costing the state $15,506,298 in salaries and fringe benefits. The state will spend another $24,721,549 in operating expenses, bringing the total cost of the shops to $40,227,847 for FY 2004. The school districts receive another $43,042,491 for school bus driver salaries. The districts provide another $64,324,799 bringing the total expenses of the school bus system to $147,595,137. This does not include capital costs for new buses.

District Responsibilities: Managing Bus Drivers, Routing and Scheduling

Findings: **Many of the districts' bus transportation managers started out as school employees (bus drivers and aides, janitors, coaches and teachers) rather than transportation professionals. They find themselves responsible for the operations of as few as eight buses (Barnwell 29) to as many as 294 buses (Greenville 1). These district bus managers have done a remarkable job managing their systems and getting the children to school on time. In 1995, Beaufort School District privatized their district school bus transportation systems because they were not able to get the children to school on time. Laidlaw won the bid and continues today as the contractor. Charleston privatized their operations in 1996 for the same reason, but had serious problems with the original contractor. First Student won the second bid and took over the Charleston District operations effective in July of 2000. In both cases the results have been a more effective system, but this has come at a significant increase in cost. The districts have paid for all of the cost increases due to privatization. Both districts are now pleased with the services provided by the private companies.**

Recommendations:

? **The Department of Education should continue to provide consultation and training to district personnel responsible for the drivers and routes. The transportation management curriculum developed by SCDOE and South Carolina State University should be made available to all district transportation coordinators.**

?? *Computerized routing and scheduling systems should be evaluated to help streamline the processes.*

?? *Transfer the student transportation program from Department of Education to the new Transportation Services Management Office charged solely with transportation.*

Fiscal Impact: Not determinable based on current information.

Lead Authority: School districts and the South Carolina Department of Education

Estimated Time Line for Implementation: Within one year.

State Responsibilities: Operation and Maintenance of School Buses

Finding: **The school bus purchase program is underfunded. An analysis of the data and a review of a consultant's recent report indicate that the maximum useful life of a bus is 15-16 years and 260,000 miles. 1,657 buses or 29% of the statewide fleet exceed this proposed standard. When a bus is finally replaced it has little or no residual value. In fact, most of the time the old buses are left as little more than shells, since most working parts have been taken off of them to use on buses that are still running.**

The state must fund school bus replacement, and it should do so in the least expensive manner. An annual appropriation for a replacement schedule is the best method to finance the new buses (General Funds, Capital Reserve Funds, or Lottery funds). General Obligation Bonds would be the second best alternative. The annual obligation of a long-term lease arrangement with the private sector would be the most expensive way to fund school bus replacement, but it would leave the General Assembly little choice but to fund new buses every year.

Number of Buses By Mileage

- 0 - 100,000 — 22%
- 100,00 - 150,000 — 26%
- 150,000 - 200,000 — 27%
- 200,000 - 250,000 — 17%
- 250,000 - 300,000 — 6%
- 300,000 - 350,000 — 2%
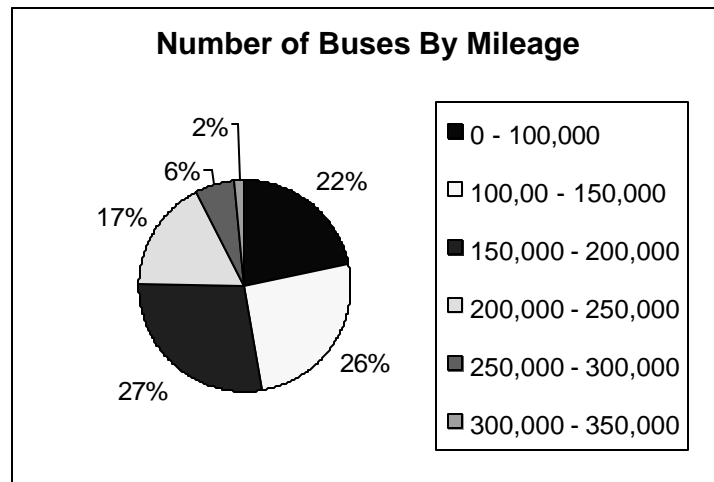
Recommendation: **Fund a recurring fifteen-year replacement schedule in the annual Appropriations Act. This replacement schedule of 375 new buses annually would increase safety for the students and decrease the cost of maintenance. In each of the next five years, 500 buses should be procured to catch up to the 15-year/250,000 mile replacement schedule.**

Fiscal Impact: Annual appropriations of $30,000,000 for school bus replacement for a minimum of five years.

Lead Authority: South Carolina Department of Education and the General Assembly.

Estimated Time Line for Implementation: The first step can be accomplished in the next Appropriations Act.

> *Finding:* **The State Department of Education and the districts do a good job keeping buses on the road and the system in operation under existing circumstances. "Privatization" is frequently brought up as an alternative to the state operating the school bus system, and the committee spent a significant amount of time studying this issue.**
>
> A Request For Proposal (RFP) should be developed to finally prove this one way or the other. The largest single conversion from a public sector to a private sector provider undertaken anywhere in the United States was in Alabama with approximately 1,000 buses. Although past South Carolina studies on privatizing have recommended that RFPs should be structured so that no potential contract would encompass more than 150 buses, the committee believes that up to 300 buses is appropriate. The committee concurs with previous findings that the use of multiple contractors enhances both competition among contractors and a district's ability to survive the failure of any one contractor or portion of a contract.

Recommendations:

1. ***The Department of Education should prepare an RFP for operation of the statewide bus system by a private company or companies and should prepare an RFP for a couple of regions within the state, to include one urban area packaged with several rural counties as a test case.*** The total cost of operations should be determined for these two "regions." An RFP should be developed with separate specifications for the ownership, operation and maintenance of the buses and for the district responsibilities for drivers and routing. Representatives from private transportation companies and school districts must participate in the development of the RFP. The SCDOE should then solicit bids on the RFP. The current SCDOE and district costs for the "regions" shall be considered the state's bid, and should be compared to the bids from the private sector. The winner or winners shall operate the bus system in the two regions. If the private sector wins the bids and is successful, then additional "regions" should be bid out the following year.

2. ***Recommend that the state fully bear the costs of transporting students as currently provided in Section 59-67-420 of the SC Code of Laws, seeking from the federal government full funding for unfunded mandates such as No Child Left Behind, English as a Second Language and magnet schools.***

3. ***All the laws, rules and regulations pertaining to school transportation be examined and updated to reflect current programs and needs.*** There are a number of regulations governing pupil transportation services that make it difficult to be flexible to address all student needs (e.g., 2/10th of a mile rule for bus stops, no pickups within 1½ miles of school and others).

4. ***Consideration should be given to block grant funding for school districts to eliminate the costly shifting and charging of funds back and forth between the state and local districts.*** The districts should continue to pay for all extra-curricular activities and field trips, but the cost should be deducted from the block grant allocation rather than be billed back to the districts.

Fiscal Impact: Not determinable based on current information.

Lead Authority: South Carolina Department of Education, Materials Management Office and Private Transportation Companies.

Estimated Time Line for Implementation: The RFP should require implementation for the start of the FY 2005 school year.

Findings: **The state of South Carolina spends over $74 million a year financing the transportation of human service clients. In FY 2001, there were 2,550 vehicles actively providing transportation, of which 2,227 (87%) were engaged in demand response trips. This means that there is an average of 55 vehicles per county. The committee concludes that significant cost savings can be achieved through the coordination of services in a specific area. Individual trip costs can be reduced, ridership can be increased and productivity (passengers/vehicle hour) can be enhanced.**

The committee concurs with most of the June 2002 "South Carolina Statewide Transportation Coordination Plan," which updated the 1992 plan developed for SCDOT by CGA Consulting Services. These reports recommended that an existing, neutral mechanism with the authority to enforce and direct coordination efforts must be designated as the transportation entity in order to begin addressing and resolving statewide issues and barriers. The committee concluded that the "neutral mechanism" should be a single consolidated program that develops:

Uniform service data reporting	Standardized records and reporting
Centralized grant review and certification	Service and performance evaluation standards
Line item budgets	Standard accounting and billing
Full cost allocation	Maintenance
Vehicle specifications	Joint purchasing
Vehicle sharing	Insurance coverage
Regional plans	Training and technical assistance
Standard contracting	Productivity criteria

The health and human services agencies would benefit from the improved efficiency and effectiveness of coordinated public transportation services for their clients, and they would be able to focus on their core mission.

Recommendations:

? *Creation of a "Human Services Transportation Management Office" under the new Transportation Services Management Office. The funds, personnel and equipment for client transportation in the different agencies should be transferred to the new Transportation Services Management Office.*

? *Each of the agencies or programs currently involved in client transportation appoints a member to a Statewide Transportation Coordination advisory body.*

? *Each "service" area have a coordinated Public Transportation Advisory Board to oversee, support and ensure conformance with the Service Plan.*

✍ *Governor should direct the Departments of Health and Human Services and the Department of Social Services to transfer client transportation programs to the new Human Services Transportation Management Office.*

Fiscal Impact: The consolidation and centralization of client transportation into a single office within the new Transportation Services Management Division could generate an annual savings of $7 million. This savings is contingent on these programs being consolidated into a single agency; cooperation is not enough.

Lead Authority: The Governor's Office cabinet agencies (DSS and DHHS) and the newly formed Transportation Services Management Office.

Estimated Time Line for Implementation: Prepared for the FY 2004 Appropriations Act.

AIRPLANES AND AIRPORTS

Aircraft Operations

Findings: **The state has aircraft that are significantly under-utilized and thus not cost effectively operated. The state has eighteen utility airplanes and helicopters. Forestry has six small planes all owned by the federal government and restricted for forest fires and research. SLED has one small plane and three helicopters, all restricted to law enforcement use. The Department of Natural Resources owns two small planes and one helicopter, restricted for law enforcement and research. A study is underway by DNR, Forestry and SLED to determine the feasibility of consolidation and/or cooperative efforts. The committee understands the unique missions of the specialized aircraft, i.e. law enforcement, surveillance, search & rescue, forest fire patrol/suppression, disaster response and research. The committee supports cooperation and coordination between these agencies that would enable this utility fleet to be used more efficiently.**

Six of the state's aircraft are passenger airplanes owned and operated by the Department of Commerce, USC, Clemson and MUSC. These passenger planes average 242 annual flight hours with an average of two passengers at an average annual cost of $357,585 or $1,571 per hour. The Department of Commerce has a 1/8 fractional ownership of a Hawker 800XP jet. There were only 43 flight hours used last year, at a cost of $430,000 or $10,000 per flight hour. The passenger aircraft are clearly not being used efficiently.

A smaller more cost effective aircraft should be substituted at Commerce and four older aircraft at Clemson and USC should be retired in favor of two newer aircraft, all at no net cost. The committee finds that the most efficient and effective use of the passenger planes would be to have two in Columbia, one in Charleston and one in Clemson with centralized control and dispatching. Standard rates need to be set for sharing aircraft.

Recommendations:

✍ *The 1/8 '00 Hawker ownership could be replaced with a 1/16 fractional ownership which would save approximately $200,000 in annual operating costs plus a one time $700,000 capital return.*

✍ *In Columbia, the state's '90 King Air 350 would be retained and the two '70's vintage aircraft at USC could be replaced with a '95 King Air B200.* This would result in an operating cost reduction of about $300,000 annually. Noting that USC is planning to acquire a ' 91 King Air 350, there is an option to acquire either the '95 King Air 200 or '91 King Air 350 with little impact on the

projections. The acquisition cost of $700,000 would be offset by the downsizing of the state fractional aircraft.

✍ *At Clemson, the two '70 vintage Turbo Commanders could be traded in for a '93 King Air C90-B at an expected even trade with a reduction of about $300,000 per year in operating costs.*

✍ *The '83 King Air C-90-1 at MSUC in Charleston would continue.*

✍ *It is recommended that recommendations 1-4 be done cooperatively, but failing that, the operations be consolidated.*

✍ *Recommend centralized maintenance of aircraft at Aeronautics maintenance facility at Columbia airport. Commonality of aircraft manufacturer would also provide additional benefits.*

✍ *Consolidate the four helicopters at SLED since they are all quick-response law enforcement missions.*

✍ *Consolidate the fixed wing aircraft of SLED, Forestry and Natural Resources under the Aeronautics Commission.*

Fiscal Impact: Fewer airplanes and more efficient usage would save $1 million in annual operating costs.

Lead Agencies: The new Transportation Services Management Office, Aeronautics, USC, Clemson and MUSC.

Estimated Time Line for Implementation: Prepared for the FY 2004 Appropriations Act.

Airport Maintenance

Findings: **The committee studied the airport runway mowing program. Until recently, the Aeronautics Commission in the Department of Commerce has been responsible for cutting the grass along the runways and runway approaches of all of the local airports across the state. They carried the grass cutting equipment by truck to the airports. However, due to a combination of budget cuts and retirement, the commission has discontinued mowing the airports.**

Recommendation: **The airport maintenance program, equipment and personnel be transferred to the SC Department of Transportation. The SCDOT has the equipment and personnel to take over this program. Mowing along the roadside and runway are very similar. However, safety training needs to be provided for employees working around airplanes. Airport support, which is generally development, maintenance or upgrading of airport facilities, should remain a function of Aeronautics because it is technical and safety related.**

Fiscal Impact: Not determinable based on current information.

Lead Authority: The Department of Transportation and the Department of Commerce Aeronautics Commission.

Estimated Time Line for Implementation: Prepared for the FY 2004 Appropriations Act.

OPERATIONS AND MAINTENANCE OF THE STATE'S FLEET OF VEHICLES

Findings: **The committee finds that the State Fleet Management (SFM) of the Budget and Control Board's General Services Division is operating very successfully, with highly satisfied customers and at a cost that is less than the private sector benchmarks. In fact, SFM received the highest customer satisfaction ratings in the agency head survey done by the MAP Commission. In addition to their leasing programs, SFM enables agencies that are not leasing vehicles from them to participate in other SFM programs such as the Commercial Vendor Repair Program (CVRP), their statewide vehicle procurement contract and their State Fuel Card Program. SFM offers these additional services to both lease and non-lease customers because their mission is to save money wherever possible for the fleet statewide.**

The committee finds that agencies should continue to be responsible for the management decisions on the use of their vehicles. They are, after all, the most knowledgeable about their needs and are responsible for

Agency Owned Cars, Vans & Pick-Up Trucks Compared to SFM Leased

SFM Leased 15% or 2,149

Agency Owned 85% or 12,462
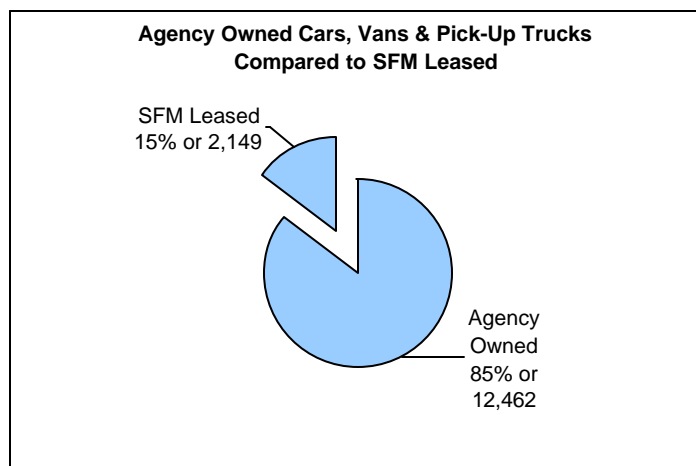
fulfilling their missions. However, there are savings to be realized by having SFM assume full responsibility for providing the 14,000 vehicles required for the agencies' transportation needs.

Implementation of the committee's recommendations would require the General Assembly to: 1) discontinue appropriating passenger vehicle acquisition funds to individual agencies and 2) only appropriate operating funds to agencies that they will then use to lease vehicles from the State Fleet Management. SFM should finance vehicles through their lease rates, appropriations and/or the State Treasurer's lease program. Individual agencies could either turn their vehicles over to SFM so that their entire fleet would be consolidated under SFM or they could phase out their currently owned fleet as they are retired over the next few years. Vehicles that are turned over to SFM would then be leased back to agencies at a rate that does not include capital costs.

Recommendations:

?? ***State Fleet Management (SFM) should assume responsibility for managing the State Fleet of cars, vans, light trucks and other vehicles up to one-ton capacity.*** Leasing from private vendors should be the preferred approach if an agency can document that leasing their own vehicles independently is less expensive than leasing from SFM, in which case the State Fleet Manager would be authorized to exempt them from leasing. Vehicles purchased with Federal Funds are also exempt because of Part 31 of the <u>Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments</u>, Subpart C, 31.32(c) use.

?? ***SFM lease rates be structured to include a <u>flat rate</u> common to all vehicle classes that would cover only insurance and fixed overhead costs and <u>a two tiered mileage rate tied to projected life cycle</u>.*** The upper tier would be an "in life cycle" rate that includes depreciation cost, maintenance costs and accident repair costs. The lower "post cycle" rate would not include depreciation. Agencies would have the option of continuing to lease the vehicles after their designated life cycle as long as the vehicle met the agency's needs and was deemed cost effective by SFM.

?? ***Recommend that fuel not be included in the mileage rate but billed as a separate line item pass-through cost to the end users.***

?? ***Recommend that SFM statewide regulatory costs be recovered through a surcharge on the fuel purchases rather than recovered through lease rates.***

?? ***Individual agencies, upon concurrence by the State Fleet Manager, should retain responsibility for managing fleets of generally large (over one ton), agency specific vehicles such as SCDOE's school buses and SCDOT's highway equipment and federally funded vehicles.***

?? ***SFM should continue to provide a central motor pool in Columbia and at other locations where cost effective.***

?? ***Require agency heads to justify to the Governor and/or their boards the permanent assignment of all vehicles based on the annual "Break Even Analysis" prepared by SFM.***

?? ***SFM should use the State Treasurer's Master Lease Program to finance the interim transition of state vehicles into the SFM Fleet.***

Fiscal Impact: The size of the fleet would be reduced through the increased use of motor pools and the rotation of vehicles to maximize their useful life. It is estimated that the 14,000-vehicle fleet would shrink by

5 to 7%, which would result in reduced procurement of 1,000 vehicles for one-time savings of approximately $16,000,000. In addition, there would be annual savings of $2,500,000 because of the extension of life cycles.

As a first step in fleet consolidation, SFM will be implementing an average 12% rate decrease in January of 2004, which will save agencies $2.5 million on their current leases. The State Highway Patrol is committed to lease from SFM subject to verifying the new lease rates being developed. State Agencies have expressed support of the committee's proposals, but need to see the new rates for comparison of costs.

It is projected that bidding all the vehicle requirements at one time on a large fleet will reduce procurement cost by 3% or $1 million annually.

The operational savings and purchasing power associated with managing a consolidated fleet (including labor rates, consolidated maintenance, parts procurement, etc.) are expected to decrease costs by 15% or $.01 per mile, which is the equivalent of approximately $2,000,000 annually.

Lead Authority: The B&CB, General Services Division, State Fleet Management and all state agencies.

Estimated Time Line for Implementation: Prepared for the FY 2004 Appropriations Act

Ownership, Operations and Management of Vehicle Maintenance Shops

Finding: ***Agencies operate a large number of small maintenance shops and there is a long-term opportunity to cost effectively consolidate shops in Columbia and in the counties.***

The maintenance shops in the state can be viewed as:

- Generally one DOT shop and one DOE shop in each of the counties with a small number of scattered shops from other agencies.
- A large number in the Columbia area spread across numerous agencies.

Generally the shops are old and small. DOT and DOE shops average age is 40 years. DOT and DOE both believe that the shops are undersized for their current missions.

DOT and DOE jointly analyzed six representative counties from which it was concluded that:

- Consolidated maintenance would significantly reduce cost through shared space, equipment and personnel.
- The majority of the savings can be achieved through co-locating DOT and DOE without combining organizations.

Assuming that the co-located DOE/DOT shops would provide maintenance for other state agencies (outside Columbia) and offer service to the counties, it is concluded that there is a:

- Good payback in the smaller counties.
- Lessor payback in the larger counties (outside the Columbia area) unless the local shops participate, in which case a good payback would be expected.

In the Columbia area:

- There are a large number of agencies that maintain their own shops.
- Significant savings will result from consolidating in two to three locations to include a new facility at Bull Street and use of the existing corrections shop.

Depending on locations and economics, the DOT and DOE shops in the Columbia area might be co-located as in the counties and/or folded into a broader Columbia consolidation.

Recommendation: *Detailed analysis be performed to verify findings that there are cost effective investment opportunities to consolidate maintenance shops and, where justified, that shops be consolidated.*

DOT and DOE should jointly analyze the economics of co-locating county by county including folding in other agencies and county maintenance (if they so desire), prioritize the opportunities and, where justified, request funding on a payback basis. No new shops should be built without evaluating the economics of co-locating. It is anticipated that new shops could be justified in 20 counties based on the following economics:

- $16 million net investment ($800,000 per shop)

- $2.5 million annual savings ($125,000 per shop)

- 6.4 year payback

Fiscal Impact: $2.5 million savings for SCDOE and SCDOT with twenty consolidated shops. Three or four consolidated shops in the Columbia area should generate savings of $800,000 annually.

Estimated Time Line for Implementation: This transition would be accomplished over the next 10 years at the rate of three shops per year.

Finding: *Likewise, the Columbia area consolidation should be fully analyzed and, if justified, implemented as part of consolidating fleet ownership, expanding motor pools, potentially centralizing some agencies functions at Bull Street, etc. Savings to be realized in the Columbia area are included in the vehicle recommendations.*

Recommendations:

- *It is recommended that most of the 12 maintenance shops (excluding SCDOT & SCDOE) in the Columbia area be replaced over time by three or four large shops built in strategic locations (Shop Road, Bull Street, Broad River and State Park if it is developed as a state health campus).*

- *As has been previously recommended, SCDOT and SCDOE should consolidate their district and county shops over time as the existing shops are replaced. The new consolidated shops should also perform maintenance for other state, county and city vehicles in the area. The proceeds from the sale of the SCDOT and SCDOE sites in each county should be used to buy the land and construct the consolidated facility.*

- *State Fleet Management should continue to expand its Commercial Vendor Repair Program and include local governments. This nationally recognized privatized program is saving state government hundreds of thousands of dollars each year. More participation means more savings for the taxpayer at all levels of government.*

- *All of the Department of Education school bus maintenance shops should immediately come under the State Fleet Management Shop Accreditation Program.*

Fiscal Impact: $2.5 million savings for SCDOE and SCDOT with twenty consolidated shops.

Lead Authority: State Fleet Management, SLED, Forestry, SCDOT, SCDOE, DHEC, DMH, DDSN and Corrections.

Estimated Time Line for Implementation: This transition would be accomplished over the next ten years.

STATE TRAVEL OFFICE

> *Finding:* **There needs to be a cost-effective travel procedures and reporting mechanisms established statewide. There is a need to examine all aspects, costs and expenses related to state government travel with emphasis being given to reducing costs and eliminating all non-essential travel, including review and possible implementation of privatization in the overall purchase of travel products.**

Recommendations:

- ✍ **Create a centralized state travel office,** utilizing existing state resources, within the Transportation Management Office. This office would have as its primary mission the implementation of procedures, policies and practices to insure the coordination and development of measurable cost saving programs involving all aspects of state government travel expenditures.

- ✍ **Areas of cost reduction and accountability to be developed and enhanced by this state travel office would include:**

  a. Expanded reporting requirements to publicly disclose for each state employee or official all costs for airfare, lodging, transportation or related travel charges for any overnight or out of state travel.

  b. Establishment and implementation of a program requiring the use of frequent traveler hotel, credit card and airline bonuses earned by state travelers to be utilized to offset future state travel costs.

  c. Actively pursue specialized contracts, similar to efforts by other southeastern states, to seek reduced overall and city pair airfares in an ongoing effort to substantially reduce total state airfare purchases which now exceed $8.3 million annually.

  d. Development of set maximum room rate caps on both in-state and out-of-state lodging costs state employees and officials could incur while on official state business.

CONCLUSION

The MAP Commission believes that this study, although brief, has presented tremendous possibilities for improvement in the state's transportation systems and the infrastructure needed to sufficiently and safely support it. The study has revealed new issues that require new recommendations and has strongly reaffirmed the need to institute many recommendations from prior studies. Of note is that three key issues seemed to thread throughout this transportation study:

- ✍ In spite of the many monetary, staffing and political constraints, dedicated state employees are doing a terrific job managing and providing government services in a business like manner.

✍ There are opportunities to streamline processes, improve service and reduce costs through public/private partnerships, consolidation and centralized coordination of transportation services.

FACILITIES AND CAPITAL ASSET MANAGEMENT

INTRODUCTION

The state owns or occupies real property consisting of more than one million acres, 8,000+ buildings totaling 60 million square feet and 2.5 million square feet of commercial leased space. The property is used by 42 major entities, although all of the property is owned by the state. The state lacks an adequate system to plan and manage the acquisition, maintenance, utilization and disposal of real property. Although almost every agency in the South Carolina government keeps its own staff for real property management, the focus is parochial, and the overall benefit to the state is of secondary importance, if considered at all. Furthermore, the current procedure, whereby funds for capital projects and major maintenance are appropriated from the general fund by the legislature, and the agency receiving the benefit is not assessed an annual capital charge to its budget for the use of the asset, results in the administrators of government property being largely isolated from the consequences of their actions. Their budgets do not "take hits" if property is misused or serves no productive purpose. In fact, the "system" encourages illogical and wasteful decisions.

The flagship example of the unintended consequences of the current "system" is the Babcock building. A building with 200 acres of land that was vacated a decade ago, but was not, and to this day has not been, declared as surplus. The Department of Mental Health believes that the property is an asset of the agency and would like to sell it and keep the money; meanwhile other factions believe that this historic building and valuable acreage should be placed into productive use by the state. As the debate continues, the building continues to deteriorate as meaningful maintenance is withheld and the very valuable land lies fallow. (This notorious example is not an isolated occurrence.)

The MAP Commission concluded that the disjointed and uncoordinated nature of property ownership is to blame for the mismanagement of the state's capital assets. Though the Budget and Control Board has final authority over the purchase or sale of property, there is no comprehensive program for monitoring opportunities to dispose of surplus property. Cost-saving opportunities are overlooked or ignored completely. Property administrators face little incentive to evaluate and reshuffle property holdings to maximize their value.

The commission also recognizes and gives credit to The South Carolina Legislative Audit Council and the well thought out analysis contained in their report to the General Assembly, dated April 1999. As in the Audit Council's report, this commission recommends the establishment of "a stronger and more proactive real property management system for the state."

The state must centralize the ownership of all state-owned and state-occupied real estate. This could lead to goal-oriented project planning with an emphasis on cost savings and the freeing up of underutilized assets. The need for capital planning is urgent as the state approaches the ceiling on debt service expenditures.

FINDINGS & RECOMMENDATIONS

> *Finding:* **Organizational gridlock is costing the state a substantial amount of money, creating an unaccountable bureaucracy with little concern for the proper use of its assets.**

> At least 25 agencies and 17 educational institutions hold title to real property in their name. A realignment of organizational responsibilities would allow the state to maximize the rewards of its

investment in real property, to minimize the costs of neglected and inefficient facilities and to return surplus real estate to the private sector and the local tax rolls.

Although there is very likely some amount of property that could properly be disposed of by the state, there is no overview of the state's ownership and use of property that would lead to a reliable decision-making about which buildings and land should be sold. Large tracts of undeveloped land held by the Forestry Commission, the Department of Natural Resources and the Department of Parks, Recreation and Tourism (PRT) are all serving very similar purposes. It was not possible to determine whether any of those lands are surplus.

Recommendation: **As advocated by Governor Sanford, form a Department of Administration (DOA) responsible for the acquisition, disposal and management of all state-owned or state-occupied real property, except for universities and enterprise agencies. Proceeds from the sale of property would be received into a central real property account within DOA.**

The state must centralize the management of all state-owned/occupied real property under a single entity. It is our recommendation that the functions be placed under the control of the Governor. We recommend that responsibility for the acquisition, financing, use, maintenance, operation and disposal of state real property be transferred from the General Services Division (GSD – formerly OGS) of the Budget and Control Board to the DOA. However, it is also our strong recommendation that the overall audit, control and budget functions of the Budget and Control Board and the work, if any, of the GSD within the said area not be reassigned. If the legislature declines to relocate the GSD staff to a new department, we strongly believe that the creation of a central building authority of some type within the present system will greatly benefit the state.

The DOA will work directly with each state agency in developing short-and-long term real property strategies. The DOA will take full responsibility for implementing the strategies upon receiving the appropriate approval from the Governor and/or Legislature.

It is clear that a master plan would yield substantial cost savings through more prudent use and efficient management of state assets. Although the savings are difficult to quantify because of the current lack of centralized control and accounting, based on notorious examples, it is safe to assume there is considerable opportunity for eliminating excess properties, thus returning wasted space to productive use and increasing tax revenues. Furthermore, as a result of the downsizing of state government, substantial amounts of idle space could be consolidated and then sold to productive individuals and businesses.

In addition to the Babcock building mentioned above, the commission found other examples of surplus property. Currently being used as a park on Broad River Road, two thousand acres worth $25,000 per acre could be reduced to a few hundred acres and the balance sold, pulling in $50 million for the state. The Clemson Extension on Two Notch Road appears to be "moth-balled" and could fetch $10 million on the open market.

To preserve checks and balances, the Budget and Control Board (B&CB) should retain its statutory authority to approve all purchases and sales of real property. The Joint Bond Review Committee will continue to approve all purchases. The DOA would submit all acquisition and disposal requests to these respective bodies for final approval.

Lead Authority: General Assembly

Fiscal Impact: Comparable practices in the private sector have typically led to savings plus yield equal to 1% of a portfolio's total value. With a $4 billion non-university building portfolio, a centralized management approach could allow the state to reduce building holdings by 1% each year over the first five years,

accumulating in a one-time cash return of $200 million, not including increases in real estate taxes. Also, by streamlining leasing policies, the DOA could avert $1 million in recurring expenses every year.

> *Finding:* **Although the procedures for acquiring real property are the same for all agencies, following the purchase, there exist no centralized controls, management or accountability for the property or its upkeep.**
>
> The physical and financial control of state property is deficient. Control procedures vary from agency to agency. There is no central depository for records and documents. The status and general details of real properties are compiled from time to time. However, the data falls far short of providing a consistent and reliable source record, making the data useless for auditing and cost control measures.

Recommendation: **The ownership and record of state-owned and occupied real property will be handled by the DOA (provided for in Recommendation #1).**

All state property should be titled in the name of the state - not individual agencies. All deeds and property records should be centralized for safe keeping and fully controlled with internal audits that will safeguard against malfeasance, while providing immediate access for the agencies and departments of state government. The GSD of the B&CB should be transferred to the Executive to form part of the new DOA staff.

The GSD deserves credit for planning a state office park that, if implemented by the DOA, would yield substantial savings and offer "one-stop shopping" for South Carolinians.

Lead Authority: General Assembly

> *Finding:* **The current method of including major maintenance projects within the Comprehensive Procurement Improvement Plan (CPIP) provides visibility. However, the authorizing and the implementation of these projects once they are included in the budget leads to premature expenditures and waste.**
>
> Maintenance costs currently consume 50% of the $120 million CPIP. Maintenance is an operating cost - not a capital cost - and needs to be monitored and controlled differently than new capital projects. For example, it is better to budget a specific amount of dollars each year for roof replacement than it is to attempt to budget when each specific roof will need repair or replacement. The current approach does not permit for ranking the priority of a project in one agency against the projects in all other agencies. Also, removing the maintenance projects to a separate budget will make the CPIP a more workable tool for capital planning.

Recommendation: **Eliminate the current (CPIP) requirement to obtain appropriations on all major maintenance projects and establish a separate maintenance budget that would be based on best commercial practice and benchmark costs per square foot.**

The budget and the responsibility for maintenance should be transferred to the above recommended agency, the DOA. The newly created DOA would then prioritize and schedule the projects to obtain the greatest efficiencies.

For example, with 6000+ non-educational buildings, each having a 30 year roof, on the average 200 roofs will be replaced each year. With this volume the state could employ its own roofing crews. The same would apply to HVAC equipment, electrical, etc.

With the creation of the DOA and the elimination of the CPIP method of appropriating maintenance, it will be necessary to provide each agency with an operating budget for land and buildings and then charge a monthly rental fee for the use and maintenance of the assets. In the beginning this budget adjustment will be neutral or slightly favorable to the agencies. However, as the agencies realize that they can save money by eliminating unused or non-productive assets, they will harvest the most advantageous.

Lead Authority: Governor and General Assembly

Fiscal Impact: Routine maintenance and operation of all non-higher education facilities is costing the state an estimated $171 million per year. Ongoing cost avoidance through optimum scheduling and professional management is estimated at 10%, or $17 million every year.

Recommendation: ***So strong is our belief in the potential savings resulting from central ownership authority, we advise that all leasing and procurement activities of the state be held in abeyance until the above recommendations have been successfully implemented.***

Lead Authority: Budget and Control Board

> *Finding:* ***The state government has never performed an overall portfolio analysis that would make possible information-driven decisions about the operating effectiveness of state facilities.***
>
> In overseeing massive inventories, it is essential that government administrators have an understanding of the nature, purpose and operating effectiveness of state buildings at both the overall portfolio level and the individual level. While the state, at various times in the past, through the GSD and otherwise has endeavored to study various aspects of state assets, the state has never benefited from the perspective and scope of an overall portfolio analysis. Such analysis should include a determination of all operating costs, the nature of the current and future potential functions offered by the facilities (certain functional elements are being addressed by other MAP Committees), the ongoing maintenance of buildings and, finally, the projected future need for building space (whether owned or leased).

Recommendation: ***One of the first orders of business for the new DOA (or perhaps for the governor via Executive Order) should be a thorough analysis of state owned/occupied facilities by an independent consultant and a real estate firm with demonstrated expertise in dealing with large portfolios.***

With the assistance of the GSD, the project should include the following:

- ✍ Development of portfolio level management practices for buildings owned/leased.
- ✍ A portfolio level evaluation of overall occupancy costs (broken down by individual facility). A well-managed building portfolio should have a rigorous occupancy and operating cost tracking program that will result in net lower occupancy costs and higher overall occupancy rates.
- ✍ To accomplish steps one and two will require the development of a more robust portfolio tracking system than exists today - one that will tie down building occupancy, balance sheet and operating data at the individual facility level (leased and owned) and then "rolled up" to review at the portfolio level.
- ✍ Review of the type of personnel asset management structure needed to implement such recommendations as well as the skill sets and job descriptions required.

Elevating incremental facility decisions (which are currently being driven by individual state agencies) to the portfolio level will enable the state to:

- ☞ Achieve scale in contract services;
- ☞ Maximize occupancy percentages;
- ☞ Increase portfolio flexibility to better manage costs;
- ☞ Make reasoned, supportable decisions on matters such as co-location of complementary state functions as well as whether the particular state service or function should be located in an owned or a leased facility;
- ☞ Review and construct a lease instrument that attracts leased facility proposals when such need is appropriate, and
- ☞ Evaluate the early cancellation of private sector building leases by state agencies.

Lead Authority: Only a newly created DOA would have the authority to undertake this task.

> *Finding:* ***Two matters that merit additional study are the leasing of space in private-sector buildings and the construction of additional state owned space in lieu of continuing to lease.***
>
> In particular, an evaluation of the potential for co-locating complementary or core state functions – whether in leased or owned facilities – should be pursued. Furthermore, the ability to execute short-term leases in private sector buildings provides to the state important flexibility depending upon a number of factors–including the state of the economy and state budget, as well as the specifics of the government service being provided in such buildings. Likewise, the possibility of constructing new buildings to house certain functions is worthy of further consideration–particularly when such analysis is coupled with studying the advisability of continued occupancy in other state structures. Such continued investigation could build upon efforts already expended.

Recommendation: ***As a corollary to the previous recommendation, the selected independent firm retained by the state should include in its evaluation and analysis both the leasing as well as ownership elements as recited above, in conjunction with the GSD.***

Lead Authority: DOA

> *Finding:* ***The S.C. State Park Service has recently implemented a new fee structure with a focus on admission rates and discounts.***
>
> Admission fees are now being charged at all of the 46 state parks, instead of at just 16 parks. Instead of free admission, seniors will now pay a discounted fee at all parks. The camping discount rate for senior citizens, blind and disabled individuals has been reduced from 50% to 15%. The estimated increase in revenue is approximately $1.2 million. At this time no changes to these new fees would be recommended, other than a monitoring of their effectiveness.
>
> Camping revenues for FY 03 amounted to $5.1 million, while lodging revenues generated $3.1 million. A rate increase of 10% would increase camping revenues by $511,000 while boosting lodging figures by $313,000.
>
> Any camping or lodging rate increases would need to take into consideration several factors. Historically, the area of camping has been targeted when rate increases became necessary. Subsequently, some parks may already be achieving their maximum potential as far as rates are concerned. To some extent the same holds true for lodging.

Recommendation: ***Target additional rate changes for camping and lodging based on demand and occupancy levels of the operations.***

For example, a higher rate of cabin occupancy would justify a rate increase more so than at a park that has traditionally experienced a lower rate of occupancy.

Lead Authority: Department of Parks, Recreation and Tourism

Fiscal Impact: While an "across the board" rate hike is not being suggested, the potential for targeted increases of only 10% could result in over $800,000 in increased revenues.

Finding: **The Park Service does not energetically market its product.**

In the past eight years the total attendance at state parks has slowly and steadily declined from over 10 million in 1994/1995 to 7.5 million in 2002/2003. The state's 46 major parks lost over $4.7 million in 2002.

State Parks Attendance 1994-2004 (millions)
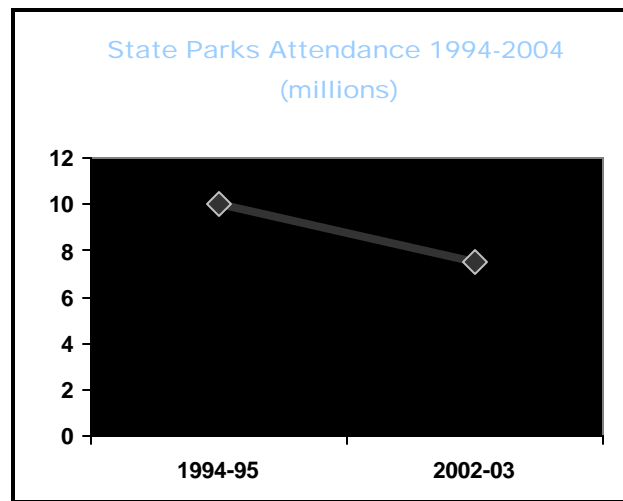
The Park Service now has one person with an assistant who is responsible for producing the parks' promotional materials and responding to information requests and other inquiries. The promotional materials, which are distributed primarily to the parks' information centers and to highway visitor centers, include information cards for each park and a few brochures and maps with summary information for all of the parks. There is also a quarterly publication, *Parkview,* which is distributed with the other materials and is mailed to the parks mailing list of visitors. Other than these materials, there is no significant advertising for the state parks in newspapers, magazines, television or radio.

Recommendation: **The Park Service, in conjunction with an external marketing firm, should develop a comprehensive marketing program.**

The program should encompass the content and design of all informational materials, material distribution and display and advertising. Specific efforts should be made to attract visitors with particular interests such as fishing, boating or visiting historic sites.

Lead Authority: Department of Parks, Recreation and Tourism

Finding: **There is no program for sustainable growth management of forests.**

The Forestry Commission would be the logical choice for heading a statewide forest management program. But in the present system, the Forestry Commission can only access those lands that it

owns. Thousands of acres of mature forests die when they could be harvested for profit and replanted. The aging forests are susceptible to forest fires and they attract dangerous animals and pests.

Recommendation: **The DOA, in conjunction with various agencies and the private sector, should institute sustainable growth management of mature forests in order for the forests to become financially self-sustaining.**

If all state lands are consolidated under the management of a DOA, the DOA could give the Forestry Commission access to all state land for comprehensive assessment and planning. The harvesting of mature forests could become a major source of revenue for the state.

Lead Authority: DOA

ADDITIONAL RECOMMENDATIONS

We recommend that PRT look into the following areas:

- ?? A park-specific review of operations at Charles Towne Landing State Historic Site and Hickory Knob State Resort Park because of the net losses experienced by these large sites ($1.6 million in FY02; the 44 other parks had a net loss of $1.3 million).
- ?? Review and make recommendations for the decrease of operational hours at certain parks, including closings during winter months (large savings are not expected from such decreases; changes are currently being implemented at Oconee Station Historic Site).
- ?? Review and approach counties for the potential reversion of some parks back to these counties (the Park Service has turned over the operation of two parks to counties in the past several years–Lynches River and Sergeant Jasper).
- ?? Evaluate and plan for more organized use of volunteers with "Friends of" park groups and corporate sponsors of parks' "Discover Carolina" programs. The Parks Service website should include more information about specific volunteer opportunities.

Lead Authority: Department of Parks, Recreation and Tourism

PROCUREMENT

INTRODUCTION

The Procurement Committee has sought to propose improvements to the methods by which the state purchases goods and services in order to maximize the use of taxpayer dollars through the following:

- Review and propose changes to the current South Carolina procurement codes to make them as efficient and effective as possible.

- Review and propose changes to the governance of the procurement system to make it as efficient and effective as possible.

- Compare the state's purchasing methods with the best practices from both the private sector and other government entities.

- Examine ways the state can further leverage its purchasing power and, when applicable, make use of the purchasing power of local governments as well.

- Ensure that the procurement system encourages, whenever economically reasonable, that state dollars are spent with South Carolina companies.

- Identify non-core services that are currently performed by state government that could be competitively bid upon by the private sector as well as agencies.

Members of the committee met in subcommittees to work through the various issues confronting the committee. The committee established three subcommittees on privatization, best practices purchasing and in-state procurement. Each of these committees met throughout the month of August 2003.

While the time given to accomplish this project was very short, the MAP Commission recommends that further study is required for many of the issues that we have identified in this report. The findings and recommendations were formulated primarily from the responses of an open-ended survey e-mailed to all state, county and local procurement directors. The survey asked for identifying best practices, recommendations for privatizing aspects of the procurement process and recommendations for changes in processes that would that would lead to greater efficiency as well as ways to encourage increased expenditures with in-state vendors and small businesses. The results of the survey were condensed into a draft of findings and recommendations. This draft was e-mailed to all purchasing officials statewide listed on the State Material Management Office database, and their comments were solicted. This final report was generated after receiving input from all MAP Commission members.

The following is a list of the primary philosophical findings that guided the recommendations formulated by the commission:

- Procurement officials provide a balance for fair and reasonable purchasing activities with responsibilities to upper management, program managers, the vendor community and state citizens in the proper use of taxpayer dollars.

- Procurement officials need to work closely with program managers, but they need to be independent to maintain the integrity of the procurement process.

✍ Centralizing procurement information, solicitations and awards that are common to multiple agencies will reduce duplication and processing costs. A standardized procurement and financial/accounting system with a shared database of vendor files will eliminate duplicate data entry related to the current stand-alone systems. A centralized procurement processing and information system will lead to increased efficiencies through a reduction in the administrative burden, improved communication between agencies, improved access by the vendor community and improved management oversight of the entire procurement process.

✍ Encouraging increased expenditures with in-state businesses, especially with small and minority owned businesses, will improve the state economy.

With these findings in mind, the commission's recommendations follow:

ENCOURAGE SOUND BUSINESS MANAGEMENT PRACTICES

Finding: **Citizens and vendors are often confused about whom to contact regarding procurement activity throughout state government. Although each agency is required to be in compliance with the South Carolina Procurement Code, there are too many different procurement procedures and processing systems among state agencies.**

Recommendation: **Increase the centralization of core procurement functions.**

✍ To avoid confusion within the vendor community regarding the procurement process, consolidate state procurement activities under a single point of contact and label this contact point "State Procurement." (This term is used to represent all state procurement activities throughout this report.) This point of contact should become the source for all procurement information and inquiries.

✍ Minimize duplication of procurement activities, consolidate common administrative and reporting functions for ITMO (Information Technology Management Office for IT procurements) and MMO (Material Management Office for Goods/Services procurements and Architect/Engineering (A&E) and Construction procurements).

✍ To recognize the unique requirements in IT procurement activities, develop a new section in the SC Procurement Code for Information Technology procurements similar to the Goods/Services section and the A&E/Construction section.

Lead Authority: State Material Management Office and the Chief Information Office

Estimated timeline for implementation: Six months

Finding: **Business management oversight is needed outside of individual state agencies to further evaluate the need for particular specifications in large-scale solicitations to minimize the duplication and mistakes encountered in developing and implementing large scale projects. By requiring a "funnel" for agencies to submit their planning information for large purchases, the solicitations could be grouped to take advantage of large scale discounts that are in the best interest of the state. This oversight function could also centralize information regarding "best practices" to be replicated as well as "lessons learned" to be avoided.**

Recommendation: ***Develop a business management oversight and coordination process within state procurement to evaluate the need for specifications in large-scale solicitations by state agencies with the possibility of linking them to satisfy other agency or statewide requirements.***

✍ This business management oversight should be used in the planning stage to compare similar projects that are being proposed by other agencies in order to possibly combine the requirements to meet multiple agency needs.

✍ Project management expertise should be centralized at State Procurement and provided to state agencies for large scale projects and oversight to minimize cost overruns and to prevent duplication of problems in similar procurements with other agencies.

✍ Progress reports should be required at State Procurement during the implementation phase of projects that take longer than a year.

Lead Authority: State Procurement (State Material Management Office and Chief Information Office)

Estimated time for implementation: Six months

Potential fiscal impact: Although there are increased administrative requirements in developing this management oversight, the potential savings in grouping purchases for multiple agencies and avoiding common errors in the implementation phase of major projects could more than offset the extra administrative burden.

Finding: ***Agencies use a multitude of systems and codes that take additional technologies and considerable manual manipulation to communicate effectively.***

Recommendation: ***Develop a statewide electronic purchasing and financial accounting system that includes standardized commodity and service code sets.***

✍ Require the development of a standardized financial/accounting, procurement and resource management platform and a plan for its implementation statewide.

✍ Require a standardized set of commodity codes based on the National Institute of Government Purchasers (NIGP) system.

Potential fiscal impact: Although there are upfront costs associated, there would be overall savings obtained from increased administrative efficiency. The KPMG study estimated a savings of approximately $100 million.

Lead Authority: Budget and Control Board working with the Chief Information Officer and the Office of the Comptroller General.

Estimated timeline for implementation: A financial accounting system has been implemented in the Department of Mental Health. This system has the potential for further enhancement with Procurement and Human Relations modules. The Budget and Control Board should remain proactive in evaluating furthering this effort or finding another system that would prove to be cost effective for statewide implementation.

Finding: ***Presently, it is difficult for the vendor community and the citizens of South Carolina to know what state agencies are buying, especially for small purchases of less than***

$10,000. Additionally, there is not a centralized means to show the history of purchases for all agencies. Currently, state procurement (MMO and ITMO) posts solicitations on websites and allows agencies to post solicitations under $10,000 on the South Carolina Business Opportunity (SCBO) website. However, few agencies take advantage of the service except when it is required for solicitations over $10,000. The lack of a shared database results in very little historical and consolidated purchasing information available for review.

Recommendation: *Expand and improve the procurement information system.*

?? Create a central database, accessed through a web interface as the central dissemination point for all centralized State and agency procurement activity.

?? Make historical information about vendors, products, services as well as planning information on major purchases by all state agencies through the website.

Potential fiscal impact (savings or cost avoidance): Costs of administration to further develop the website for a central dissemination point may be offset by the increased economic activity and potential savings through competition.

Lead Authority: Materials Management Office working with the Chief Information Office

Estimated timeline for implementation: Six months

Finding: *The current process for solicitation of goods and services costing less than $25,000 is time consuming and frequently inefficient. Raising this limit, with proper management oversight, could increase efficiency. The practice of issuing a purchase order for the high volume purchases of less than $5,000 each is administratively inefficient and expensive. The purchasing card could replace this function. This would also allow for more direct purchases with local businesses, thereby helping them get their payment quicker.[25] The typical processing cost to issue a purchase order is $130-$150. The typical purchasing card process costs $15-$30.*

Recommendation: *Minimize the processing complexities for purchases less than $25,000.*

?? Revise §11-35-1550, Small Purchases, to increase the amount to be awarded without competition from $1,500 to $5,000.

?? Increase the certification purchasing limits for small agencies from $5,000 to $25,000.

?? Mandate the use of the standardized accounting and management oversight system for the use of the procurement card to prevent unauthorized use.

?? Encourage increased agency participation in the use of the procurement card.

?? Raise the procurement card limit from $1,000 to $5,000 to be used by purchasing officials. (Maintain present limit of $1,000 for non-procurement personnel.)

?? Use the procurement card for the payment of selected services.

---

[25] Bank of America, SC DHEC Purchasing Card Review, August 13, 2003

✍ Explore establishing an internet-based "reverse auction" for the purchase of products.

Potential fiscal impact: Increased productivity and administrative efficiency. Expanding the use of the procurement card would also allow the state to realize more interest income because of the "float" associated with using the card. Additionally, the state receives a rebate from Bank of America based on the amount of money charged to procurement cards in the previous year. The Comptroller General's Office projects that the state may receive a rebate of $476,000 in the current fiscal year based on current use patterns.

Lead Authority: Budget and Control Board working with the Office of the Comptroller General and state agencies.

Estimated timetable for implementation: Six months, pending Board review and approval.

> **Finding:** *The inability to carry-forward all fiscal year-end (operating) funds causes undue administrative burden in procurement as well as the possibility of purchasing unnecessary goods and services just to keep the budget from being reduced.*

Recommendation: *Allow state agencies more flexibility in the disposition of unspent appropriations and carry forward at the close of a fiscal year.*

✍ Revise the budgetary requirement to allow for an increase in carry-forward funds.

✍ Allow agencies to carry-forward funds for a longer period to fund long-range planning objectives for capital improvements, Information Technology projects and other non-operating projects.

Potential fiscal impact: Administrative efficiencies and potential budget reductions from realistic spending activity as well as enhanced planning opportunities.

Lead Authority: State Legislature and the Office of the Comptroller General

Estimated timeline for implementation: Two years

> **Finding:** *At times, questionable business practices arise. Employees, vendors and citizens need a clear and easy access venue for confidential questions and/or reporting system for such events.*

Recommendation: *Create a standardized confidential questions and reporting system.*

✍ Develop a standardized confidential questions and/or reporting system through which employees, vendors and citizens can register their concerns and implement it statewide.

✍ Develop a process for state employees to register a complaint first within the applicable agency and then with a designated agency if the employee deems the agency response to be inadequate. Designate a single point of contact for complaints within each agency.

✍ Develop an appeals process for agency-level complaints deemed inadequate.

Potential fiscal impact: Potentially halting fraud, waste and/or abuse

Lead Authority: State Auditor's Office and the Budget and Control Board

Estimated time for implementation: One year

ENCOURAGE THE PRACTICE OF BUYING FROM IN-STATE COMPANIES

> *Finding:* *A significant amount of state procurement dollars are not spent or invested in South Carolina. Rather than just focusing on low-bid, alter the "Best Value" procurement method to include a consideration for in-state small businesses as one of the evaluation criteria. Currently in best value solicitations, price constitutes 60% of the evaluation criteria with 40% allocated for other criteria. Ten to 15% could be allocated for in-state vendors or for small business vendors and for end products produced in the state.*

Recommendation: **Maximize the expenditure of procurement dollars in-state where feasible.**

- ?? Use "best value" analysis in selected solicitations to encourage increased consideration for in-state vendors.

- ?? Include in the "best value" solicitation an analysis of how much money is actually going to be spent in the state.

- ?? Increase the award evaluation criterion percentage in best value solicitations for the use of in-state preferences based on how much of the actual dollars are going to be spent in state.

Potential fiscal impact (savings or cost avoidance): We recommend the Board of Economic Advisors determine cost benefit for in-state dollars vs. low price.

Lead Authority: Budget and Control Board

Estimated timeline for implementation: These changes can be immediate and ongoing because there is currently a system in place. The legislative changes in the Procurement Code would take effect in FY 2004-05.

> *Finding:* *The current definition of "In-State Vendor" in the Procurement Code is too vague and too easily circumvented. Since there is not a process to verify "in-state vendor" status, the current process allows for an "in-state vendor" preference to be applied to companies and individuals who may not meet the minimum requirements as defined by the South Carolina Procurement Code. Also, current preferences in state legislation have resulted in reciprocity reaction in other states. The preferences do not apply to construction (Article 9 of the Code), Request for Proposals (RFPs), and the in-state manufacturing preference has not been applied previously to software application development. It also is applied only to purchases between $10,000 and $30,000. During the past five years, MMO estimated that less than $200,000 per year has been applied using the current process. Since "In-State Vendor" preferences are currently not being applied in the majority of purchases and it may actually hurt in-state vendors in competing in states with reciprocity reaction, it can be construed as being ineffective.*

Recommendation: **Establish a new definition and requirements for being listed in a state procurement database as an "in-state" vendor.**

?? The "In-State Vendor" preference should be removed from the Procurement Code (requires code change) and replace it with an Executive Order to encourage a percentage of the purchasing dollars be spent with in-state vendors, including small businesses, similar to the effort to encourage expenditure with Minority Owned Businesses.

?? Develop a new definition of an "in-state" vendor based on actual residency and business activities within the state.

?? Include "In-State" as one of the criteria for vendors listed in the State Procurement database and website. This should include the commodities and services that meet classification criteria for review by potential buyers and business partners.

Potential fiscal impact: These changes will increase the tax base paid to the state by utilizing South Carolina businesses for services and products as well as promote economic growth in the state.

Lead Authority: Governor's Office

Estimated timeline for implementation: These changes could be immediate depending on Executive Order. Legislative changes in Procurement Code would take effect in FY 2004/2005

Finding: **Statewide term contracts should be used primarily to increase the purchasing power for the state, as well as to create convenience to minimize the processing requirements. Currently, some contracts offer higher prices than what may be offered locally and some contracts only have one vendor that locks the state in to that vendor for the term. Under current provisions, the state has to "guarantee" certain volumes to obtain and retain discounts.**

Recommendation: **The state should consider "best value" evaluations of statewide term contracts for commodities and services to favor in-state businesses where practical.**

?? Review §11-35-2030 Multi-Term Contracts and restructure the code to address "Best Value" in the solicitation process.

?? All purchases should be made based on what the Materials Management Office and the procuring agency determine to be the "best value" to the State of South Carolina (price should not be only criteria).

?? The BEA should determine a quantified dollar amount or percentage that will accurately reflect the value of selecting an in-state vendor over an out-of-state vendor.

Potential fiscal impact (savings or cost avoidance): Increased competition saves dollars and increases participation by South Carolina vendors on term contracts.

Lead Authority: Budget and Control Board

Estimated timeline for implementation: These changes can be immediate and legislative changes in Procurement Code would take effect in FY 2004/2005.

Finding: **There are too many outdated exemptions to the Procurement Code. Some of the exemptions may act as a barrier to competition from vendors wishing to enter the exempted field of economic activity. The list of exemptions need to be reviewed periodically to eliminate outdated exemptions as well as add exemptions to make selected purchasing more cost effective as well as to prevent abuse.**

Recommendation: **Review and revise the existing exemptions in the procurement code.**

✍ Review all exemptions in the State Procurement Code and remove those that are outdated or inapplicable.

✍ Periodically review the exemption list for revision.

Potential fiscal impact (savings or cost avoidance): The exemptions allow for potential abuse that drives down competition that cost South Carolina dollars and possibly prohibits some South Carolina based vendors from participating in the procurement process.

Lead Authority: Budget and Control Board and the Procurement Review Board

Estimated timeline for implementation: Six months

ENCOURAGE STATE GOVERNMENT AGENCIES TO DO BUSINESS WITH IN-STATE SMALL BUSINESSES

Finding: **Currently South Carolina small business vendors generally perceive that it is difficult to participate in procurement activities with state agencies. Solicitations for less than $10,000 are not required to be advertised, thus exposure is minimized resulting in less competition. Additionally, Requests for Proposals (RFPs) and invitations for bid currently contain boiler-plate language that mandates unlimited liability and indemnification. This risk is too great for small businesses and lessens their ability to compete for major contracts. Although the liability clauses are rarely enforced, the risk of unlimited liability on state contracts could bankrupt many small businesses and, therefore, they will not bid on state agency business in South Carolina.**

Recommendation: **Maximize the expenditure of procurement dollars with in-state small business vendors where feasible.**

✍ Use "best value" analysis in those solicitations to encourage increased consideration for in-state small business vendors.

✍ Increase the evaluation percentage preferences used in "best value" solicitations based on how much of the actual dollars are going to be spent with in-state small business vendors.

✍ Encourage out-of-state larger firms to use in-state small business vendors as sub-contractors as part of the solicitation process.

Potential fiscal impact (savings or cost avoidance): The changes should encourage smaller South Carolina based businesses to bid on larger contracts as either prime or sub contractor which could increase the revenue tax base.

Lead Authority: Materials Management Office

Estimated timeline for implementation: The changes should take effect immediately.

> *Finding:* *Currently there is not a generally accepted definition for an "in-state small business" vendor. It is necessary to define the concept before procedures or processes can be implemented to favor small businesses in the purchasing system.*

Recommendation: Establish a clear definition and requirements for being listed in the state procurement database as an "in-state small business" vendor.

- ✎ Recognize in-state small business and minority vendors uniquely within the procurement database by the commodity and/or services that meet classification criteria for review by potential buyers and business partners.

- ✎ Develop a method to encourage agencies to first consider in-state and small business vendors on the procurement database for solicitations for less than $10,000.

Potential fiscal impact: The changes should encourage more small South Carolina based businesses to bid on contracts as either prime or subcontractor that could increase the revenue tax base.

Lead Authority: Materials Management Office

Estimated timeline for implementation: Six months

> *Finding:* *A significant amount of state procurement dollars are not spent or invested in South Carolina with small businesses. Rather than just focusing on low-bid, alter the "Best Value" procurement method to include a consideration for in-state small businesses as one of the evaluation criteria. Currently in best value solicitations, price constitutes 60% of the evaluation criteria with 40% allocated for other criteria. 10 to 15% could be allocated for in-state vendors or for small business vendors.*

Recommendation: The state should consider "best value" evaluations of statewide term contracts for commodities and services to encourage increased consideration for in-state small businesses.

- ✎ The Board of Economic Advisors (BEA) should determine a quantified dollar amount or percentage that will accurately reflect the value of selecting an in-state small business vendor over an out-of-state vendor.

- ✎ After implementation of a state-wide electronic financial and purchasing system, require all agencies to submit to the Office of the Governor quarterly data on the dollars spent with in-state small businesses and add this as a separate category to the present Minority Business Enterprise (MBE) reports.

Potential fiscal impact (savings or cost avoidance): We recommend the Board of Economic Advisors determine cost benefit for keeping the dollars in-state vs. low price.

Lead Authority: Budget and Control Board

Estimated timeline for implementation: These changes can be immediate and on going because we have a system in place currently. The legislative changes in the Procurement Code would take effect in FY 2004/2005.

Finding: **Currently request for proposals and invitations for bid contain boilerplate language that mandates unlimited liability and indemnification. This risk is too great for small businesses and lessens their ability to compete for major contracts.**

Recommendation: **Encourage local small business vendors to bid on larger contracts.**

- ✍ Revise the "unlimited liability" clause in the State Procurement boilerplate to allow for increased flexibility in limiting vendor liability in selected solicitations, including out of state vendor solicitations, to the value of the contract or a negotiated value.

- ✍ Require, in selected solicitations, a percentage of subcontractors to be drawn from in-state small or minority-owned businesses who are on the recognized list of in-state vendors.

Potential fiscal impact (savings or cost avoidance): We recommend the Board of Economic Advisors determine the cost versus benefit for keeping the dollars in-state versus low price.

Lead Authority: Budget and Control Board

Estimated timeline for implementation: These changes can be immediate and on going because we have a system in place currently. The legislative changes in the Procurement Code would take effect in FY 2004/2005.

Finding: **For long-term economic stability, it is important that South Carolina promote "incubator" businesses to create jobs and encourage economic development.**

Recommendation: **Encourage the development of "incubator" business sectors. The Board of Economic Advisors, in cooperation with the Department of Commerce and state research universities, should determine which industries and sectors are to be labeled as incubators for development within the state.**

Lead Authority: Department of Commerce, BEA and Budget and Control Board

Estimated timeline for completion: Six months

PUBLIC SAFETY

INTRODUCTION

Since September 11, 2001, the issues and challenges presented to the public safety community have placed greater emphasis on government's ability to provide for safe and healthy communities throughout South Carolina. Public safety is a fundamental responsibility of government and a primary reason for its existence. The mission of the respective state agencies has evolved out of necessity to bring to bear the assets to address criminal behavior, natural disasters and homeland security. Those who serve in this capacity serve selflessly and stand ready to protect citizens and provide for improved quality of life for all South Carolinians.

The Public Safety Committee of the MAP Commission faced a significant challenge in synthesizing the wide range of issues identified and arriving at a consensus in developing the findings and recommendations. The over-arching issue charged to the committee was to identify those agencies with a significant public safety mission, including natural disasters and homeland security, while overlaying the fundamental goals of the commission.

Given the short duration of this committee's charge, findings and recommendations that might further enhance service delivery in the public safety area is better suited for a more in-depth analysis.

The methodology employed by the Public Safety Committee consisted of conducting several public meetings with information presented over a time period of several weeks. Members were assigned respective areas/agencies for review and consideration and were polled personally and electronically. This information gathering and polling resulted in the formulation of this report. The findings and recommendations found within this report represent the majority opinion of the committee membership and the full MAP Commission.

OBJECTIVES

The committee sought to identify opportunities within the public safety community of state government that matched the following criteria established by the Governor's MAP Commission. Those include:
- Saving taxpayer money
- Increase accountability
- Improve service
- Consolidate functions
- Return jobs to the private sector
- Help make South Carolina more competitive in a global economy

SCOPE OF WORK

The committee work included a review of each agency's:
- Statutory mandates
- Mission statement
- Organizational structure
- Functional areas

AREAS REVIEWED

The committee reviewed agencies in the public safety cluster in South Carolina, including:
- State Law Enforcement Division
- State Ports Authority
- Department of Probation, Parole and Pardon Services
- Adjutant General's Office - EMD
- Department of Public Safety
- Department of Natural Resources
- Department of Corrections
- Department of Juvenile Justice
- Department of Health and Environmental Control

The committee's work included a review of each agency's statutory mandates, mission statement, organizational structure and functional areas with a view toward identifying overlap or duplication of services.

AREAS NOT REVIEWED

- Time constraints prevented a detailed study of each agency's activity costs and performance measures in relation to its strategic and annual business plans.
- The focus remained on targets of opportunity where overlap or enhancement would mutually impact agencies in the performance of their public safety missions.

CONSENSUS

Consensus of the group focused on the need to develop common policies, practices and procedures; a doctrinal approach to law enforcement training and communications platforms. In most every instance, when conditions exist that warrant a multi-agency response, agencies are unable to communicate or coordinate communications. This instance can severely impair an effective response and potentially endanger both the public and the responding officers.

SENSE OF THE COMMISSION

The sense of the commission is that any significant structural realignment of major law enforcement agencies in South Carolina will require significant and careful deliberation. Such changes could significantly impact the quality of life and safety of South Carolina citizens if not properly addressed. The commission expressed a belief that bigger is not necessarily better but it could present opportunities to maximize effectiveness. This concept must be explored more deliberately. For example, the Criminal Justice Academy (CJA) serves all law enforcement agencies and would be an integral part of the public safety cluster of agencies described in the Organizational Structure report. Funds for operation of CJA should be preserved and not added to the operating budgets of other law enforcement agencies.

FINDINGS AND RECOMMENDATIONS

A common theme centered on the issue of interoperability emerged within the committee as it approached the development of recommendations within the context of its charter. This issue impacts:
- Jurisdiction
- Training
- Communications
- Responsiveness in times of emergency and lean budget years
- Procurement practices

If addressed, the issues identified by the commission will have a significant impact upon the agencies in South Carolina responsible for public safety.

Procurement Practices

> *Finding:* **Each state agency operates independent procurement offices, each engaging in purchasing equipment and supplies for their agency in amounts and type unique to each agency.**

Recommendations:

- *Explore a consolidated procurement system for all state law enforcement agencies.*
- *Consolidate projects and centralize project management.*

Communications Compatibility

> *Finding:* **Law enforcement agencies at the state and local levels operate incompatible communications equipment. This condition impairs interoperability and endangers the public and law enforcement officers during emergencies requiring multi-agency and multi-jurisdictional responses.**

Recommendations:

- *Establish a centralized communications system.*
- *Establish common policies, procedures and standards for communications equipment for all state law enforcement agencies and use a consolidated procurement for communications equipment. This will enable agencies to operate on like equipment and thereby enable interoperability.*

Vehicle Procurement

> *Finding:* **Law enforcement agencies independently procure vehicles either by purchase or lease.**

Recommendations:

- *Review of all agency vehicle utilization and determine type and number of vehicles vital to the agency's public safety mission.*
- *Utilize a consolidated leasing and purchasing program to enable the state to take advantage of price breaks on vehicles purchases and leases.*

Vehicle Maintenance

> *Finding:* **Law enforcement agencies that purchase vehicles at the state level each independently maintain their vehicles at agency-level maintenance facilities.**

Recommendation: **Consolidate all law enforcement vehicle maintenance and service facilities. This could enable agencies to pool resources and eliminate costly and duplicative maintenance facilities and service.**

Information Technology

> *Finding:* **Lack of integrated databases are restricting agencies' ability to share information.**

Recommendations:
- ✍ *Consolidation and establishment of a centralized law enforcement data warehouse coupled with universal data base standards could enable real-time access and protection of vital data to all users in the criminal justice process from arrest to parole.*
- ✍ *Establish comprehensive processes and procedures to promote information sharing.*

ADDITIONAL OPPORTUNITIES

The committee also identified opportunities, but time constraints prevented additional study.

Recommendations made that will save taxpayer money include:
- ✍ Implement agency retirement programs that allow agencies to retain employees while saving state personal services funds.
- ✍ Maximize use of federal grants and other fund sources.
- ✍ Initiate fees-for-services for non-criminal justice services delivered.
- ✍ Replace energy-inefficient equipment if payback is economical.
- ✍ Increase availability of web-based services or applications to save on postage and personnel costs.
- ✍ Recruit, train and utilize citizen volunteers where feasible and appropriate.

Recommendations that will increase accountability include:
- ✍ Participate in appropriate agency/function-specific accreditation efforts.
- ✍ Conduct periodic customer satisfaction surveys.
- ✍ Implement processes for accepting and addressing complaints against agency/personnel.
- ✍ Increase the use of auditing services for agency governance and operations.

Recommendations that will improve service include:
- ✍ Prioritize services delivered according to needs assessment or customer survey processes.
- ✍ Pursue progressive management, investigative and enforcement practices, and seek technological solutions to law enforcement challenges.
- ✍ Implement training programs that address issues within the agency as well as interests of agency customers.
- ✍ Actively participate on agency/mission-specific boards, task forces and commissions.
- ✍ Enhance web access for products and services to the public and sister agencies.

Recommendations that will consolidate functions include:
- ✍ Reorganize internal agency departments to consolidate supervisory and management functions.
- ✍ Consolidate similar functions/services delivered by different agencies including human resources information technology, communications, procurement, maintenance, supply, training and warehouse operations.

- Collaborate with other agencies to maximize use of resources and expertise when needed to enhance capacities as a force multiplier (joint training, information sharing, technical expertise, communications compatibility and emergency response planning).

Recommendations that return jobs to the private sector include:
- Outsource to private contractual services when economical, efficient and appropriate.
- Utilize SCDC inmate labor when appropriate.
- Lease vehicles and equipment when appropriate.
- Outsource when appropriate.

Recommendations that make South Carolina more competitive in a global economy include:
- Pursue initiatives and practices that enhance the safety and security of South Carolina's citizens and businesses to establish an inviting environment for new businesses and customers.
- Establish working relationships with media to manage dissemination of law enforcement information.
- Reduce traffic fatalities on South Carolina highways.

CUSTOMER SATISFACTION

INTRODUCTION

The objective of the Customer Satisfaction Committee was to analyze the level of satisfaction of constituents with services provided and to analyze employees' understanding of their mission and effectiveness within state government. The committee decided to accomplish these objectives by using a variety of tools, including:

- A random-dial telephone survey of 500 respondents scientifically selected to be representative of the population of South Carolina.
- Focus groups of private citizens and state employees.
- An agency-to-agency customer satisfaction survey of state government agency directors.
- An online public opinion survey available to all citizens via the state government home page on the Internet.
- An online employee opinion survey available to all state government employees via the state government home page on the Internet.

TELEPHONE SURVEY

The commission asked the University of South Carolina's Institute for Public Service and Policy Research to conduct a telephone survey of a representative sample of the population of South Carolina. The Institute has previously conducted several statewide surveys using statistical sampling techniques to ensure the representativeness of the probability samples drawn. These same procedures were used to develop the current 500-respondent random dial telephone survey.

Interviews were conducted between July 24 and August 6, 2003 by the Institute's interviewing staff. A total of 516 interviews were conducted. The response rate was 50.3% with a sampling error rate of $\pm$ 4.3%, yielding a probability sample that accurately represents the population of South Carolina.

The interview questions were patterned after a similar survey conducted by the Commonwealth of Pennsylvania during a recent evaluation of the management, accountability and performance of its state government.

RESULTS

The results of the telephone survey demonstrate that South Carolinians generally feel positive about the quality of life in the state, with about one in six residents rating the quality of life as excellent and another 55% rating it as good. A majority of South Carolina residents also thinks that things in the state are generally headed in the right direction. However, about 30% of respondents disagree.

The public is somewhat wary of state government. A majority feels that state government can be trusted only some of the time, with only about 4% believing it can be trusted most of the time and about 7% feeling state government can never be trusted. Despite these reservations, a majority of citizens believes that state government should do more to help solve the state's problems.

There was variation in the evaluation of the services the state provides with items such as the quality of the state's parks and public recreation areas and the quality of the state's forests, waters and wetlands receiving relatively positive ratings and activities such as the state's efforts to reduce unemployment, the way it provides for the health care needs of the elderly and the quality of the state's roads and highways evaluated less positively.

If given the opportunity, residents would tell Governor Sanford a wide range of things that they think can be done to improve state government. Although their concerns cover a number of topics, they are largely directed to the areas of state government performance and spending, education, health care and social services, economic issues and crime.

A complete discussion of the survey results is found in Appendix II.

FOCUS GROUPS

Dr. A. Emerson Smith volunteered the services and facilities of his company Metromark Market Research, Inc. to conduct focus groups of private citizens and state government employees. Participants were selected by the members and staff of the customer satisfaction committee.

The private citizen focus group was conducted on July 29, 2003 and the employee focus group was conducted on July 30, 2003.

Citizen Focus Group

In summary, the top issues identified by the citizens group, categorized by the commission's goals are:

Save taxpayer money

- Restructure agencies to eliminate redundancy.
- Concentrate on K – primary education.
- Simplify access to health care.

Increase accountability

- Restructure agencies to better define service responsibilities (make agencies accountable to the governor).
- Look to where we are going – not where we've been (how things were done in the past).
- Unified system for technology.

Improve service

- Identify and resolve disparities between races and urban/rural delivery of services.
- Restructure agencies to eliminate gaps and duplication.
- Increase access and availability of health care services.

Consolidate functions

- Create a unified system for planning and implementation of information technology.
- Eliminate duplication of services.
- Look across public/private sector service delivery systems for creative solutions.

Return jobs to the private sector

- Involve private entrepreneurs in addressing innovative service delivery.
- Provide the customer with choices.
- Make the public more aware of the governor's vision for public/private partnerships.

Help make South Carolina more competitive in a global economy

- Focus on the future of the whole state rather than specific interest groups.
- Improve education and health care from prenatal to primary grades.

✎ Change the focus of economic development from recruitment of outside companies to development of homegrown businesses/entrepreneurs.

Employee Focus Group

The major issues identified by the employee focus group, categorized by the commission's goals are:

Save taxpayer money

✎ Create a coordinator of technology with government-wide policy authority.
✎ Focus on core services (eliminate duplication).
✎ Standardize procurement (software, purchasing).

Increase accountability

✎ Create procedures for internal/external feedback.
✎ Develop comparable performance measures.
✎ Conduct strategic planning.

Improve service

✎ Define and coordinate core services.
✎ Develop incentive and reward systems that are other than financially based (for employees).
✎ Improve employee training to include professional development and career tracking.
✎ Develop a standardized complaint management system across agencies.

Consolidate functions

✎ Create Chief Information Officer with policy making authority across agencies.
✎ Provide continuity of senior management during administration changes (Senior Executive Service).
✎ Create one stop shopping for services (case management).

Return jobs to the private sector

✎ Identify core functions and whether private industry can provide more efficiently (compare public/private return on investment).
✎ Benchmark against other states' experiences.

Help make South Carolina more competitive in a global economy

✎ Take care of the first five and this will resolve itself.
✎ Ensure that a Chief Information Officer plans for the technology infrastructure for the state as a whole.

AGENCY-TO-AGENCY
CUSTOMER SATISFACTION SURVEY

The agency-to-agency customer satisfaction survey was distributed to all state government agency directors and the directors of state boards and commissions on August 5, 2003 via a letter from Mr. Ken Wingate, the commission's executive director. Ninety questionnaires were distributed and 63 were returned for a 71 percent response rate.

The survey consists of ten closed-ended questions asking the directors to rate the procurement, information systems, human resources, financial management, facilities management, state fleet management and client information functions provided to them by other state agencies. It also asks one open-ended question, "If I could change one thing about how business is conducted among state agencies, it would be…"

Recent organizational development studies have defined five specific customer service dimensions by which customers evaluate service quality. They are: reliability, responsiveness, assurance, empathy and tangibles. Scoring of service delivery along these five dimensions provides the basis for constructing a Service Quality Index, allowing one to evaluate responses across disparate service providers. The index illustrated in Figure 1

scores the seven service delivery functions across the five service quality dimensions on a scale of one to five with one being lowest quality and five being highest quality.

Quality Of Service Index

Function	Responsiveness	Assurance	Reliability	Empathy	Tangibles	SERQUAL INDEX
Procurement	4.3	4.5	4.2	4.4	4.1	4.3
Info. Systems	4	4.3	4	4.1	4	4.1
Human Res.	4.2	4.4	4.2	4.3	4.2	4.3
Financial Mgt.	4.1	4.3	4.1	4.1	4	4.1
Facilities Mgt.	4.3	4.5	4.2	4.3	4.3	4.3
State Fleet	4.3	4.5	4.2	4.4	4.3	4.3
Client Info.	4	4.2	3.9	4.1	4.1	4.1
FUNCTION INDICES	4.2	4.4	4.1	4.2	4.1	4.2

Figure 1

The scores range from 3.9 for the reliability dimension of the client information function to 4.5 for the assurance dimension of the procurement, facilities management and state fleet management service delivery functions.

Responses to the open-ended question were categorized by the areas of interest listed in the charter of the commission. An overview of the findings includes the following:

Save Taxpayers' Money

- ✍ Conduct business according to the interests of all the citizens of the state rather than the interests of individual agencies.
- ✍ Have the General Assembly determine which services are critical. Fund them and abolish the rest. This would eliminate the need for state agencies to compete among themselves for scarce resources.
- ✍ Remove "red tape" from the procurement function.

Increase Accountability

- ✍ Allow agencies more independence in their use of appropriated funds.
- ✍ Streamline accounting and budgeting processes so that duplicate systems are not required by the "State" and individual agencies.
- ✍ Relax procurement restrictions so agencies can pursue most cost effective and efficient purchases.

Improve Service

- ✍ Standardize forms for information exchange among agencies.
- ✍ Invest adequate resources in information technology to achieve an enterprise system that serves all administrative support functions and clients/customers.
- ✍ Create a "Customer Service" area within each agency.

Consolidate Functions

- ✍ Create a unified human resources data system that would bring together benefits, payroll and retirement systems.

- ✍ Create a unified accounting system that would eliminate the duplication now caused by many state agencies using their own, stand-alone systems. Update or replace the current state accounting system to accomplish this purpose.
- ✍ Consolidate statewide management information systems creating a standardized statewide system for fiscal, personnel, procurement and client information processing, resulting in increased cost-effectiveness.

ONLINE SURVEYS

A citizen opinion survey and a state government employee opinion survey were posted electronically via the Internet on both the state government home page and on the commission's home page. Responses were received from 3,071 citizens, and 12,391 employees responded, creating a "convenience sample" for each population. These are non-probability samples, i.e., ones in which the participants were self-selected and in which not all the members of the populations had an equal opportunity to participate. Thus, error rates cannot be computed and the results cannot be generalized to either population as a whole. However, the surveys are very valuable because they provide an opportunity for *concerned* citizens and employees to communicate their suggestions to the Governor.

Citizen Public Opinion Survey

The citizen public opinion survey consists of the same closed-ended, Likert-scaled questions that were included in the telephone survey. Several additional questions dealing with fraud, waste and abuse, accountability and managerial oversight were added. The survey also contains the open-ended question, "If you could tell the governor one thing about how to improve state government, what would you tell him?"

The Customer Satisfaction Committee publicized the survey's availability throughout the state through contact with professional, fraternal and religious associations. Additionally, the commission's executive director met with newspaper editorial boards and appeared before numerous groups to encourage citizen participation. Also, the governor and his staff asked for citizen participation during the town hall meetings held throughout the state.

The survey and analysis are attached to this report in Appendix II. The findings are not significantly different than those of the citizen focus group and the telephone survey.

State Employee Opinion Survey

The state employee opinion survey was also available on the state government Internet home page. Additionally, printed copies were made available for employees who did not have access to a computer or who wished to reply by mail rather than online. The survey consists of three demographic questions and sixteen closed-ended Likert-scaled questions addressing various aspects of the work experience including the employees' observations regarding fraud, waste and abuse. There are also two open-ended questions and a place for respondents to make any additional responses or explain any of their responses.

The first open-ended question is: "If you could define a different structure for your agency/organization to improve its efficiency and effectiveness, what would that structure look like?"

The second open-ended question is, "If you could suggest to the Governor one thing about how you would improve state government, what would it be?"

The survey and analysis are attached to this report in Appendix II. The findings are not significantly different than those of the employee focus group.

COMPLAINT MANAGEMENT SYSTEM

The committee observed that the need for a standardized complaint management system that cuts across agencies was a recurrent theme in its deliberations. Any such system will require a significant commitment of information systems resources if it is to succeed.

EXECUTIVE SUMMARY

Top Issues and Recommendations

The following summarizes the findings of all surveys and focus groups.

Information Technology

- Create a unified system for IT planning.
- Establish a state-wide Chief Information Officer with government-wide policy authority.
- Invest resources in an enterprise-wide information management system.
- Integrate and standardize forms of information exchange among agencies, including fiscal, personnel, procurement and client information.

Service Delivery

- Consolidate or eliminate redundant service delivery agencies.
- Define and fund core services.
- Benchmark cost of service delivery against the private sector. If they are cheaper, privatize.
- Create "one-stop shopping." Procurement
- Coordinate procurement of goods and services, including information technology hardware and software to develop economies of scale.
- Relax procurement restrictions so agencies can take advantage of unanticipated price reductions and "sales."

Planning

- Look to where the state is going, not where it's been.
- Focus on the entire state rather than specific regions or interest groups.
- Emphasize in-state business development rather than recruitment of outside companies.
- Encourage public/private partnerships.

Education

- Concentrate on kindergarten and primary school education.
- Extend education efforts to include prenatal care.
- Increase funding.

Health Care

- Simplify access to health care.
- Focus more on the poor and the elderly.

OPERATIONAL REVIEW OF DEPARTMENT OF SOCIAL SERVICES

INTRODUCTION

An operational review of the South Carolina Department of Social Services (DSS) was undertaken with two primary objectives: (1) to make recommendations for improvements in DSS operations and structure and (2) to develop an operational review template or model that could be used in other agencies of state government.

PROCESS METHODOLOGY

The operational review methodology was based on a process methodology successfully used for the South Carolina Department of Commerce and refined for use at DSS. This expanded model followed this sequence of activities:

- Agreement on roles, timelines and approach;
- Development and confirmation of agency performance baseline and process flows;
- Construction of a Key Driver Analysis;
- Conduct of internal and external interviews;
- Development of process improvement options;
- Calculation of the costs/benefits of organizational options;
- Selection of an organizational model;
- Framing of the transition/implementation plan. The schematic on the following page provides an overview of the methodology and sequence of steps used.

A multidisciplinary Analysis Team was formed consisting of ten staff members of DSS who represented all the major functional and operational areas of the agency. The Analysis Team, facilitated by members of the MAP Subcommittee, applied the process methodology above in developing the organizational model recommended in this report. Additionally, members of the Subcommittee of the MAP Commission conducted client and staff interviews and reviewed financial and program data. All information contained in this report was reviewed for accuracy and feasibility with the Director of DSS after each major phase of the analysis.

Department of Social Services Operational Review Process	
Component	**Description**
Project Orientation	Work with DSS leadership to review roles, timelines and products.
Baseline	Review of current organizational structure, operations, management control and technology.
Process Design	Refine review process elements to meet baseline assessments – structure, operations, etc.
Baseline Review	Confirm and refine baseline assessment and process design with DSS leadership.
Driver Analysis	Lead work sessions with Analysis Team to establish client and service descriptions and priorities.
Interviews	Conduct in-depth internal and external interviews regarding strengths and opportunities to improve.
Process Analysis	Optimize structures, management control and technology based on findings.
Model Definition	Explore best practice models that fit mission, refined processes and client needs.
Model Selection	Select best-fit model in terms of potential to improve effectiveness/efficiencies.
Benefit Impact	Quantify budget impact of new model for restructure.
Transition Plan	Develop explicit steps toward implementation of model.

**Department of Social Services
Operational Review Process Methodology**

Baseline

•**Organization**
•**Operations**
•**Management/
Control**
•**Factor costs**
•**Technology**
•**Assets**

**Project
Orientation**

•**Members**
•**Roles/responsibilities**
•**Timelines**
•**Products**
•**Approach**
•**Measures of progress**
•**Schedule agreement**

**Baseline
Review**

•**Baseline
confirmation**
•**Refinements**
•**Design
confirmation**

**Driver
Analysis**

•**Client array**
•**Client priorities**
•**Services**
•**Service priorities**

**Process
Analysis**

•**Combination/
elimination**
•**Priority assessment**
•**Flow improvement**
•**Optimization**

**Process
Analysis
Design**

•**Product identification**
•**Key process identification**
•**Process definition/ analysis**
•**Management/ControlSystems**
•**Customer contact**
•**Communications**

**Internal
/External
Interviews**

•**Representative
employees**
•**Clients random
selection**

**Organization
Model
Analysis**

•**Alternative models**
•**Evaluation**
•**Driver impact**
•**Selection**

**Selected
Organization
Model**

•**Refinement**
•**Staffing requirements**
•**Technical requirements**
•**Physical requirements**

**Cost/
Benefit
Impact**

•**Final cost/benefit**
•**Cash flow strategy**
•**Evaluation**
•**Implementation**

**Transition
Plan**

•**Management model**
•**Implementation model**
•**Technical model**

RECOMMENDATIONS

Summary of Recommendations:

Recommendations follow three themes:

1. Structural reorganization of DSS to focus on improving efficiency and effectiveness in the delivery of core services to key clients;

2. Information technology with the goals of better use of automation and strengthening the ability of DSS to implement large scale systems projects;

3. Improving processes—communications, performance evaluation, quality assurance and both strategic and transition/implementation planning.

Some of the recommendations can be achieved quickly and easily. Others will require investment of time and financial resources.

Organizational Structure:

> *Finding:* **The current organizational structure in DSS is cumbersome and unwieldy, resulting in a fragmented communications flow, redundant or competing activities and inherent inefficiencies in allocation of resources, labor and distribution of services.**

Recommendation: **Structurally reorganize DSS by consolidating all administrative services along functional lines under a single Deputy Director and all operational, policy and program services under a single Deputy Director. Reorganize field operations to regionalize indirect services and retain direct services at the county (point of service) level. (See organizational charts that follow.)**

Fiscal Impact: While there will be significant savings realized over time from reorganization, it is premature to state a dollar figure. Part of the difficulty results from the lack of a budgeting system that would allow reliable and timely comparisons of different organizational structures. The continued budget cuts have compounded this problem by keeping the organization's budget and personnel counts in a state of flux. The reductions in force have complex financial implications due to both the "bumping" rights and the need to protect front line positions directly serving the clients. Some of the savings that would have resulted from the organizational changes have already been realized through the across-the-board cuts. Additionally, the optimum staffing level for caseworkers in the field is not currently fully funded, resulting in much higher caseworker to client ratios than optimal.

If the organizational structure recommendation is approved, then DSS senior management will need to immediately develop the staff changes and costs savings. It will most likely take two budget cycles to realize the full savings, recognizing that there will also be transition costs associated with implementing the new organizational model. Some of the savings will be state dollars and some will be federal match—which will result in a loss of funds flowing into South Carolina's economy.

At a minimum, there will be two fewer Deputy State Directors and there will be economies of scale resulting from the regional structure in the field and from combining Policy, Program and Oversight functions with Operations under a single Deputy Director.

Another compounding issue is that $17 million of direct ongoing operating costs is being currently funded by non-recurring revenues. As noted in the Recommendations in the report from the Budget Subcommittee of the MAP Commission, this practice should not continue and therefore the savings that accrue from the

organizational structure should first be directed to help meet those direct operating costs currently funded by those $17 million of non-recurring revenues.

This new structure also reflects Day Care Licensing and Emergency Shelters planning being transferred to other agencies. (See later Recommendations.)

Lead Authority: DSS

Timeline for Implementation: One year to implement; two budget cycles to realize the full financial impact.

```
                                    ┌─────────────────┐
                                    │    GOVERNOR     │
                                    └─────────────────┘
                                             │
                                    ┌─────────────────┐
                                    │ STATE DIRECTOR  │
                                    └─────────────────┘
```

| DEPUTY STATE DIRECTOR PROGRAM POLICY AND OVERSIGHT | DEPUTY STATE DIRECTOR FISCAL & INFORMATION SYSTEMS | DEPUTY STATE DIRECTOR REGIONAL AND COUNTY OPERATIONS | DEPUTY STATE DIRECTOR ADMINISTRATION AND PROGRAM SUPPORT | DEPUTY STATE DIRECTOR GENERAL COUNSEL |

DEPUTY STATE DIRECTOR PROGRAM POLICY AND OVERSIGHT
- CHILD SUPPORT ENFORCEMENT
- FAMILY INDEPENDENCE PROGRAM
- HUMAN SERVICES
- PLANNING & RESEARCH
- STAFF DEVELOPMENT/ TRAINING

DEPUTY STATE DIRECTOR FISCAL & INFORMATION SYSTEMS
- BUDGETING/COST ALLOCATION
- FINANCE
- GAFRS
- GOVERNMENTAL AFFAIRS
- INFORMATION SYSTEMS

DEPUTY STATE DIRECTOR REGIONAL AND COUNTY OPERATIONS
- COUNTY OFFICES
- MANAGEMENT SUPPORT
- MANAGED TREATMENT SERVICES
  - ADOPTION

DEPUTY STATE DIRECTOR ADMINISTRATION AND PROGRAM SUPPORT
- AUDIT SERVICES
- DEPARTMENTAL SERVICES
- COMPLIANCE
- HUMAN RESOURCE MANAGEMENT
- CONSTITUENT SERVICES
- PUBLIC AFFAIRS
- INDIVIDUAL AND PROVIDER RIGHTS

DEPUTY STATE DIRECTOR GENERAL COUNSEL
- ASSISTANT GENERAL COUNSEL
  - INVESTIGATIONS
- HIPAA COORDINATOR

CURRENT DSS ORGANIZATIONAL STRUCTURE

General Counsel
Governmental Affairs
Public and Community Affairs

Director

Planning

Deputy Director for Operations

Deputy Director for Administration

Regional Offices

Program Policy

Information Systems

Human Resources

Individual & Provider Rights

Financial Services

County Offices

Family Independence

Child Support Enforcement

Human Services

Finance/Budget/GAFRS

Departmental Services

Internal Review

Adoptions

Managed Treatment Services

Staff Development & Training

PROPOSED DSS ORGANIZATIONAL STRUCTURE

> *Finding:* **Daycare licensing as a function does not fit within the core services of DSS due to its regulatory nature.**

Recommendation: **Move daycare licensing to another agency – perhaps DHEC, which has complementary regulatory functions.**

Fiscal Impact: None. Potential cost savings if combined with other inspection functions within DHEC.

Lead Authority: Legislature

Timeline for Implementation: One year.

Information Technology:

> *Finding:* **DSS does not have an integrated administrative system.**
>
> The existing accounting system—GAFRS—does not have a budget module. This causes a significant amount of manual work as well as a lack of ability to create and maintain effective budget controls. Staff has created various Lotus and Excel spreadsheets to track budget information and many departments do not receive any reports on their expenditures versus budget. Also needed are Human Resources and payroll components.

Recommendation: **Purchase and install an integrated administrative system.**

Consider joining other agencies working with the CIO's office to implement a common Administrative system. This approach will not only introduce automated support but also provides a mechanism for re-engineering processes.

Fiscal Impact: There will be a cost to implementation, somewhat offset by improved productivity in future years.

Lead Authority: DSS and State CIO

Timeline for Implementation: The selection process should begin immediately; the implementation will depend upon the software selected and the availability of qualified staff to implement it.

> *Finding:* **The Child Support Enforcement System (CSES) is one of the biggest and riskiest IT projects to be undertaken by SC State Government.**
>
> It has a tortuous ten-year record that leaves South Carolina as one of only two states that do not have a system certified by the federal government. South Carolina is under penalty for non-compliance and in danger of more severe penalties in the future. Although a team has been assembled with a plan and request-for-proposal approved by the federal government, the project has several risk factors. The state is already being penalized $8 million per year for failure to comply with federal guidelines and could face more severe penalties.

Recommendation: **Take steps to increase likelihood of success.**

1. Do no harm. Nothing should be done that would impede progress.
2. Get a full team assigned full-time, and make sure that the team is fully qualified.

3. Require that the team be trained in the Software Acquisition Capability Maturity Model and immediately institute a rigorous process improvement program.
4. Require that a formal risk assessment be completed with all stakeholders.
5. Under the auspices of a fully empowered CIO, establish an oversight group of senior people from the private sector with deep technical and management experience in large systems, reporting to an executive committee to monitor progress.

Fiscal Impact: SC is already being penalized $8 million per year. This will increase because the federal government penalty is a percent of funds that flow to the state. The budget request for FY 2003-04 for the project includes $10.8 million of penalties and $8.8 million of systems costs. This full cost is being carried by DSS. The development of the system will benefit not only DSS but also the Court Administration and the Clerks of Court.

These recommendations are minimal compared to the projected $80 million total cost of the system.

Lead Authority: DSS, supported by the CIO office.

Estimated Timeline for Implementation: System timeline is expected to be four years after contract (five years from now). Time to implement recommendations is four months.

> *Finding:* **The Child and Adult Protective Services System, (CAPSS), although working, is operating on unsupported software with aging hardware and is in danger of being unmaintainable.**
>
> This homegrown system is operating on Windows 98, which is no longer supported, and on hardware that is not capable of supporting an upgrade. The system is not in compliance with federal requirements, including interfaces to other systems. Absent appropriate electronic interfaces, caseworkers are required to log into individual systems and manually transcribe information. It is fair to say that the system does not enable caseworkers to improve their efficiency or effectiveness. While the team is doing the best it can with limited funding and technical skills, the system is unlikely to be usable or maintainable by 2006.

Recommendation: **In concert with a fully empowered CIO, develop an overall architecture that will permit migration of all Social Service programs to an integrated system. Use either CSES or CAPSS as the lead system under this revised architecture.**

In the meantime, even with constrained budgets, an upgrade strategy needs to be developed. Innovative solutions need to be identified. For instance, many companies offer steep discounts for equipment coming off lease or returned. A plan to equip caseworkers with used laptops with upgrade software might take the load off the existing underpowered PCs. Whether or not this is viable or some other approach is better, the current path will almost certainly lead to failure within the next three to four years if for no other reason than it relies on an unsupported commercial software base.

A pilot project with perhaps 200 used laptops could be accomplished for $250,000 to determine feasibility.

Fiscal Impact: The planning should not be expensive. The implementation will depend on strategy selected.

Lead Authority: DSS with support from CIO

Timeline for Implementation: Planning could be accomplished in six months. Implementation would need to be phased over many years.

Finding: **The status of information systems supporting our management of federal funds for Social Services is precarious.**

The systems supporting social services have been built around the individual programs (e.g. Medicaid, Child Protective Services, etc), with a mixture of federal and state funds. They have been built on different platforms, at different times. Some are homegrown. Others were developed under contract to commercial vendors. Most of them are required to implement a variety of federal requirements. In the current state, some of these systems are arcane; others are operating on unsupported commercial software (Windows 98) and on aging hardware that will not support upgrades.

As a consequence of this stovepipe implementation, interfaces between systems, often required by federal mandate, are hard coded. There is no unifying architecture for sharing information across systems. There is no overall strategy for integrating these systems. Further, there has been no visible systems analysis to think about how the business of social services might be improved by streamlined processes supported by modern information technology.

State information systems people are primarily fighting fires. With ever decreasing budgets, aging hardware and increasing numbers of federal mandates, people are running as hard as they can and are getting further behind. If South Carolina stays on this path, we will only get further behind. We need to find a way to get this train onto another track.

South Carolina does not have the funds, or the technical talent in state government, to step outside the fray and "do it right". While large states may have the available funds and available talent to build integrated systems, we do not. Undoubtedly, we are not the only state in this predicament.

Recommendation: **Consider developing a coalition of small states to create an integrated system that supports all Social Services programs distributing federal funds.**

A coalition of ten states, each investing $1 million – $2 million per year, if matched by the federal government, could afford to develop an integrated system that would meet all federal requirements.

The first objection to such a recommendation, and the reason given for not working with other states in the past, is that we are different. It is true that we do things differently than other states, but the federal requirements and the fundamental need is not different. We need to perform a careful analysis of the ways in which we are different and separate the essential from the accidental. Certainly our laws differ from those of other states, but there is little advantage to perpetuating differences that offer no relative payoff. Just as commercial companies have re-engineered their processes over the last two decades, we need to re-engineer our processes.

To accommodate the essential differences among the coalition states, the system could be designed for a "virtual state" so that each state could design and support its own processes. In the IT community, the notion of a "virtual entity" is used often. When a generic need is to be supported with rules and interfaces to a variety of other systems, the designer establishes as part of the architectural model, interfaces to a virtual entity, and then the specifics for that virtual entity are individually tailored.

Once designed and implemented, a contract with the implementing vendor for continued maintenance, and even for tailoring, would reduce our overall maintenance costs and help us avoid significant replacement costs.

Fiscal Impact: Initial cost would be approximately $1 million per year for four to five years. New hardware and tailoring costs cannot be estimated at this time. However, we need a hardware replacement strategy for existing systems and if properly managed that equipment could be used in the conversion.

Lead Authority: Clearly DSS has the need. However, they do not (and probably should not) have the technical and management capability to pull this off. The CIO office would probably be the best to manage the implementation, with DSS and the governor's office helping to establish the coalition and getting federal match.

Timeline for Implementation: One year to put coalition together and get commitment from federal government. Eighteen months to design. Four years to develop software. One year to convert.

Finding: **There is no integrated application process among the various programs serving clients of DSS, nor is there an interagency integrated application process.**

This requires clients seeking multiple services to complete essentially the same forms multiple times and does not allow electronic access by caseworkers to help facilitate a comprehensive case management process.

Recommendation: **Build the interfaces between systems within DSS. Work with other agencies involved to develop similar interfaces.**

Lead Authority: DSS/CIO

Timeline for Implementation: Three years

Finding: **Some caseworkers could improve their productivity up to 20% to 30%, according to agency personnel and dependent on caseworker workloads, if they utilized a laptop computer or other form of mobile computing in the field to input information on their cases.**

Currently they have to take paper notes and then enter their notes in the computer when they return to the County office.

Recommendation: **Evaluate the use of laptops or other form of mobile computing compatible with DSS applications systems for caseworkers in the field, to include a cost/benefit of this use of technology.**

If savings through increasing caseloads justify it, procure appropriate devices.

Fiscal Impact: Dependent on the number and type of devices needed. Should be offset by productivity increases.

Lead Authority: DSS

Timeline for Implementation: Two years

Improving Processes:

Finding: **Both field and state office staff have a clear understanding of the mission of DSS, who their clients are and the core services that the department delivers.**

Despite the facts that state funds allocated to the department have decreased from $118.75 million in FY 2000-2001 to a proposed funding of $83.84 million for FY 2003-2004 and staff positions have decreased from 5,778 to 3,848 during that same period, the staff remains committed to the mission. DSS is meeting four of the six federal standards for Child and Family Services based on 36 states reporting. Five states, including SC, met four of the six standards. Two states met five. No state met all six.

Recommendation: **Continue the great work accomplished to date.**

Fiscal Impact: Recognize that further budget reductions will also reduce federal matching funds received by a ratio of 1-2 times**.**

Lead Authority: DSS

Timeline for Implementation: Immediately

Finding: **DSS does not have a strategic/operational planning process nor a performance based budgeting process.**

This hinders the agency from planning for such events as major demographic changes as well as programmatic changes and efficiently allocating scarce resources.

Recommendation: **Establish a formal strategic planning and budgeting process.**

As indicated in the new organizational chart, the Director of Planning should report directly to the Director of DSS. The impact will be augmented when a budgeting module is implemented. However, the planning and budgeting process should not be held up waiting on the budgeting module.

Fiscal Impact: Should improve productivity and accountability with little to no fiscal impact.

Lead Authority: DSS

Timeline for Implementation: Immediately

Finding: **DSS does not have a robust Quality Assurance Program.**

Recommendation: **Institute a Quality Assurance Program that provides both statistical and qualitative analysis of program efficiency and assistance in data driven policy and operational decision-making.**

Fiscal Impact: Minimal.

Lead Authority: DSS

Timeline for Implementation: Immediately.

Finding: **Inefficiencies in casework documentation, client communications and application process negatively impact outcomes, costs and caseworker burnout.**

A significant DSS strength is the deep-rooted commitment of staff to serving clients. Despite significant reductions in staff and dramatic increases in areas such as Food Stamp households, the core work of the agency continues.

Federal programs provide incentives or penalties in a number of service areas. The problem of staff cutbacks is exacerbated by inadequate technology, application process and communications.

Internal (policy and caseworker staff) and external (client) interviews provided evidence of clear opportunities to improve effectiveness and efficiencies through improved technology, client support and information, communications and automated casework documentation.

DSS Staff Trends Compared to Client Volume (Food Stamp Recipients) Increases[26]			
	1999-2001	**2002-2003**	**% Change**
DSS Staff	5,778	3,848	-33.4%
Food Stamp HHs	120,000	185,227	+54.4%

Recommendations:

1. **Develop and implement a single application process for all DSS services. Currently, an application process, requiring significant staff time, must take place with each new service a client receives. Note: Recommendation addressed in Information Technology Section. This would dramatically improve client satisfaction.**

2. **Provide caseworker laptops for casework documentation. Many aspects of casework documentation are written by hand and then entered into a computer. An estimate of timesavings by a caseworker was 16-20 hours per week.**

3. **Devote greater effort to client education. Heavy paperwork loads prevent caseworkers from devoting adequate time on Independence Planning with clients. Addressing item 2 will provide resources (time) to address item 3.**

4. **Improve client communications though small improvements. Pursue documentation update management by mail. Develop large posters and brochures on documentation requirements for each service to avoid unnecessary repeat visits to caseworker.**

Fiscal Impact: The greatest savings will be achieved in the areas of technology improvements. Freeing up as much as 16 hours per week of caseworker time to devote to case management versus paperwork will improve client outcomes.

Lead Authority: DSS

Timeline for Implementation:

✦ DSS Policy managers should develop new policies relating to implementation of item 4 immediately.

---

[26] Report on South Carolina Department of Social Services to the Budget and Control Board, July 2003.

✍ DSS Information Technology managers should develop a plan to pilot items 1 and 2 in several counties as a basis to establish cost/benefit potential. This should be done this fiscal year.

> *Finding:* **Since 1996 funds from the TANF (Temporary Assistance to Needy Families) block grant have been used to provide diverse support to families, however South Carolina's direct stipend has not increased in 15 years. South Carolina's payment of $200 monthly for a family of three is 16% of federal poverty guidelines.**

Recommendation: **The agency should begin planning over the next few years, in the event supplemental TANF funds do not become available, to redirect TANF funding in a way that moves more resources directly to constituents and positively affects quality of life in South Carolina.**

Fiscal Impact: Neutral overall to the agency. Direct impact to clients.

Lead Authority: DSS

Timeline for Implementation: One Year.

> *Finding:* **Contemporary Best Practices dictate that a transition plan be developed to enable employees of an organization undergoing significant change to better adapt to their new roles and to facilitate the movement to a culture that supports the new structure.**
>
> DSS will experience the typical dislocations as it moves to the recommended organizational structure.

Recommendation: **Implement a transition or change management model similar to the one undertaken in the SC Department of Commerce.**

Included in that process are:
1. Training for staff in new roles.
2. Management work sessions in each department to redefine roles, establish desired outcomes, set strategies consistent with the overall mission and develop the plan of work to achieve the desired outcomes.

Fiscal Impact: Training costs can be determined once staff has been assigned within the new organization. DSS will need to set aside sufficient funds from its savings due to the new organizational structure for this. Other costs associated with work sessions should be minimal.

Lead Authority: DSS

Timeline for Implementation: Immediately following the recommended reorganization. Planning for the transition period should begin as soon as possible.

Note: Several of the findings and recommendations in our report are similar in nature to those contained in the 1998 KPMG Report.
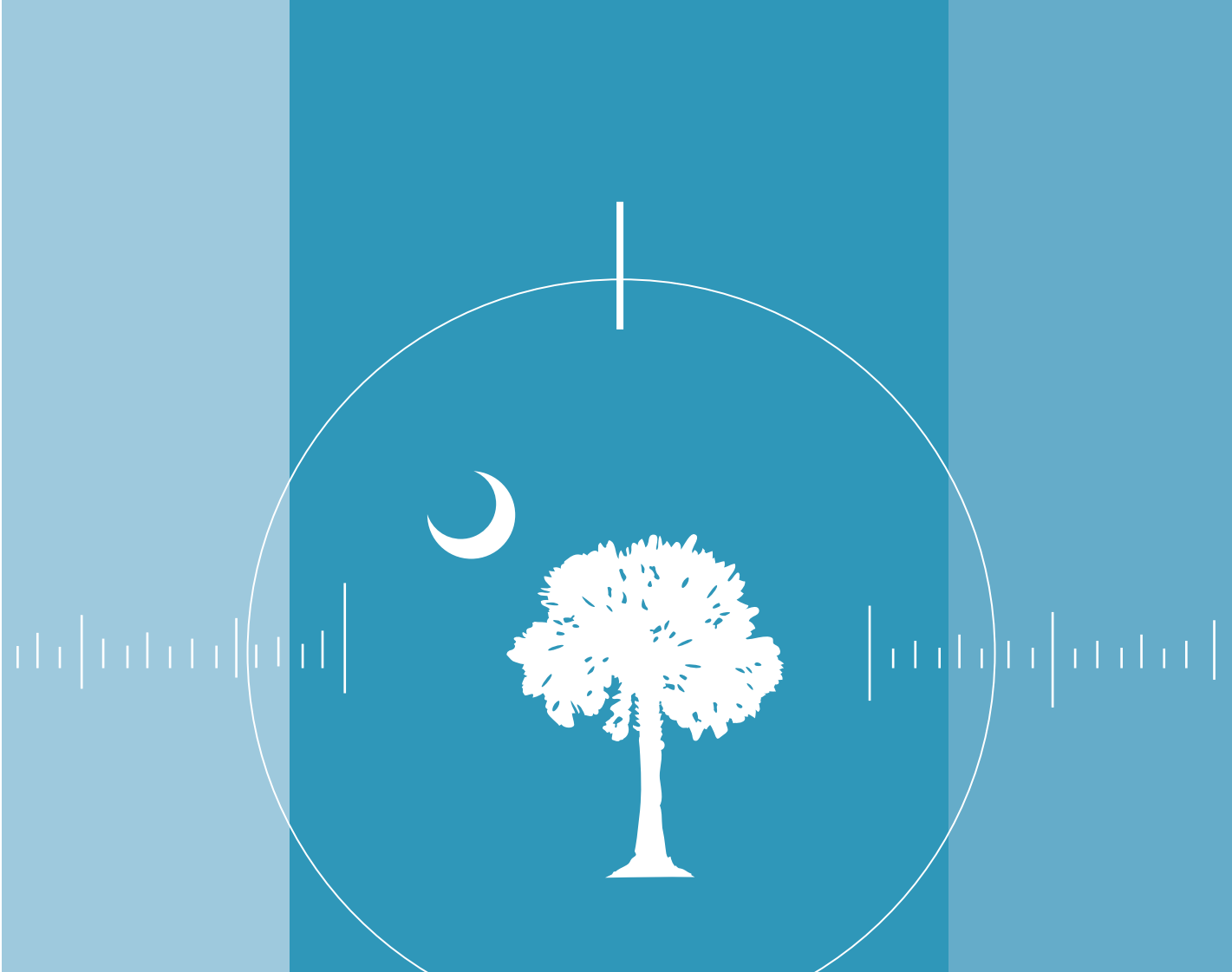
Appendices

APPENDIX I: SUMMARY OF RECOMMENDATIONS

ORGANIZATIONAL STRUCTURE

1. The MAP Commission recommends at a minimum restructuring the Executive Branch from the nine existing constitutional offices to six constitutional offices.

2. The commission also recommends fourteen cabinet departments and clusters reporting directly to the governor.

3. The Office of the Secretary of State, through a constitutional amendment, should be eliminated and the responsibilities should be blended into the Department of Revenue.

4. A constitutional amendment should be proposed that would change the position of the Adjutant General from an elected office to an appointed office. The cabinet secretary should be appointed by the governor, with the advice and consent of the Senate.

5. State law should be amended to authorize a single cabinet secretary (Secretary of Health and Human Services), appointed by the governor with the advice and consent of the Senate, to oversee all health and human services agencies.

6. Create the Division of Senior Services reporting to the Cabinet Secretary of Health and Human Services.

7. Under the Secretary of Health and Human Services, the divisions should be aligned so that their community structures better serve their clients. The goal is for families and communities to become partners in the delivery of health and human services and to improve planning at the local level, improve communication across agencies and provide clearer, if not seamless, points of entry into the agencies.

8. Rename the existing Department of Health and Human Services as the Department of Healthcare Finance (DHF) and establish it as a department reporting to the newly created cabinet secretary for the health and human services agencies. The newly created Department of Health Finance essentially becomes the state Medicaid agency.

9. The Child Development Block Grant and the Social Services Block Grant functions should be moved to Department of Social Services.

10. The following two alternate courses of action should be further explored:
    A. Create the Division of Substance Abuse and Addiction Services reporting to the Secretary of Health and Human Services.

    -OR-

    B. Consolidate the Department of Alcohol and Other Drug Abuse Services and the inpatient addiction treatment services of the Vocational Rehabilitation Department within the Department of Mental Health. Vocational Rehabilitation should purchase required services from the Department of Mental Health.

11. A constitutional amendment should be proposed that would change the position of the State Superintendent from an elected office to an appointed office. The cabinet secretary should be appointed by the governor, with the advice and consent of the Senate.

12. The three "resource" schools should come under the State Superintendent of Education. This will facilitate the elimination of administrative costs and reduce the cost of serving students. This will also encourage the Department of Education and local school districts to make parents aware the schools are available.

13. If the utilization of the John de la Howe School cannot be substantially increased, consideration should be given to merge its students into the Wil Lou Gray Opportunity School.

14. The General Assembly should pass legislation to designate the John de la Howe School as the alternative sentencing option for Family Courts for non-violent offenders, including truants, and to give first priority for admission to the school for students sent by the Family Courts.

15. The Forestry Commission should manage and sell timber on the forested portions of the John de la Howe land, and money resulting from such sales should be placed in the General Fund.

16. A review should be made of the employees who are provided houses free-of-charge to live in while employed at the John de la Howe School. At present, each person provided an on-campus house pays only a partial cost of electricity.

17. The Education Oversight Committee and the Legislative Audit Council should review all existing legislation and regulations and recommend cohesive strategic legislation.

18. A legislative mandate is needed to ensure high teachers, college instructors, and business organizations collaborate on a plan that will allow graduating high school students' proficiency to meet expectations of the colleges and universities as well as the business community. A formal plan complete with minimum expectations should be established.

19. In an effort to have an adequate and efficient distribution of funds for all schools statewide, there should be some consolidation of the state's 85 school districts. The General Assembly should initiate legislation that defines appropriate criteria and timelines for the consolidation of school districts.

20. S.C. ETV should become part of the Public Education cluster.

21. All local school board members should receive appropriate training related to their position.

22. The Division of Chief Information Officer in the Budget and Control Board should be transferred to the governor's office and the position of the Chief Information Officer should be appointed by the governor.

23. The Department of Consumer Affairs, Department of Labor, Licensing and Regulation, and the Human Affairs Commission should be clustered reporting to a cabinet secretary appointed by the governor with the advice and consent of the Senate. Our recommendation implies a common administrative organization but not a consolidation of the agencies at this time.

24. Eliminate the Second Injury Fund and fold any residual functions into the Department of Insurance Cluster.

25. In order to make insurance-providing programs more accountable to their own customers and the citizens of South Carolina, give the Department of Insurance oversight of the rates they charge.

26. The Department of Insurance should become a self-funded agency through fees charged to the insurance industry.

27. Create an Insurance Fraud Division within the DOI. Estimates are that 30% of worker's compensation claims and medical claims are fraudulent. It is estimated that the number of fraudulent claims can be reduced to 5%. Also give the DOI oversight of the rates charged by the State Accident Fund, the Insurance Reserve Fund, and the State Employment Insurance Program.

28. Commission a study to quantify the benefits of bringing the Workers' Compensation Commission into the Insurance Cluster.

29. Create the Department of Administration Cluster (DA) to provide services to other agencies within state government. The DA is a cabinet level department with the director appointed by the governor with the advice and consent of the Senate.

30. The General Services Division, Insurance Reserve Fund, Office of Human Resources, Retirement Division, State Employee Insurance Programs, and Procurement Services Division should be transferred from the Budget and Control Board to the Department of Administration.

31. Establish a new division for Facilities and Capital Asset Management as part of the Department of Administration.

32. Establish a new division for Transportation Services Management.

33. The State Accident Fund (SAF) should be included in the Department of Administration Cluster and managed with the Insurance Reserve Fund.

34. Patient's Compensation Fund (PCF) should be folded into the Administration Cluster and eliminated, if and when serious tort reform is enacted.

35. The Jobs-Economic Development Authority should be moved to the Department of Commerce.

36. The Natural Resources cluster should be a cabinet level department headed by a secretary appointed by the governor with the advice and consent of the Senate.

37. The existing Department of Public Safety, State Law Enforcement Division, Department of Corrections, Department of Probation, Parole and Pardon Services, and the Department of Juvenile Justice should be moved to the newly created Public Safety Cluster. The newly created Public Safety Cluster is a cabinet level department with the secretary appointed by the governor with the advice and consent of the Senate. We are not recommending merging these agencies at this time, other than the Department of Corrections and the Department of Probation, Parole, and Pardon (see forthcoming recommendation), but rather placing them under a single point of accountability with a consolidated administrative function. The Criminal Justice Academy should either report directly to the cabinet secretary or to SLED with the director of the CJA appointed by the governor.

38. The Public Safety Cluster should continue and expand its collaboration and coordination efforts between the Department of Natural Resources and the Department of Health and Environmental Control in the areas of drug enforcement and anti-terrorism.

39. The current system of collecting and disbursing court fees and assessments should be streamlined, simplified and unified.

40. Legislation should be developed that would remove non-violent offenders, or some identifiable group of non-violent offenders, from the jurisdiction of the Adult Parole Board. The legislation would authorize SCDC to make release determinations on these offenders.

41. All "wilderness" programs that target at-risk youths within the Adjutant General's Office, John de la Howe School, Wil Lou Gray Opportunity School and those at the Department of Juvenile Justice should be administered by the Department of Juvenile Justice.

42. Exceptions to certain formulas should be made for the unique school districts operated by DJJ and the South Carolina Department of Corrections.

43. The subsidy to counties for use of juvenile detention facilities should be further explored as to its desired intent and purpose.

44. The Department of Agriculture should check a representative sample of fuel dispensers, weighing and measuring devices instead of checking all devices.

45. The Department of Agriculture should be granted authority to levy fines in cases of abuse. The Department of Revenue should be responsible for the collection of these fines and should retain an appropriate percentage to cover the cost of collecting these fines. The Department of Agriculture should also receive an appropriate percentage of all fines collected. The balance of fines collected should be deposited into the General Fund.

46. Agencies that provide employment related services should be clustered reporting to a cabinet level secretary appointed by the governor with the advice and consent of the Senate.

47. Consider consolidating the administrative functions of the agencies in the Culture Cluster.

BUDGETING, FINANCE AND ACCOUNTING

1. Expand the discussion of the logic underlying the forecasting methodologies of the Board of Economic Advisors (BEA).

2. General Assembly to approve BEA forecasting methodology.

3. Appointing authorities should agree upon and provide BEA members with appropriate written guidelines.

4. Convene monthly BEA meetings to review revenues relative to the certified estimate.

5. Eliminate certifying revenues "on the fly."

6. Increase the Capital Reserve Fund from 2% to 3% incrementally over four years.

7. Enact more rational and focused spending limitations based on a combination of growth in the state's population and growth in the CPI.

8. Discontinue the practice of funding recurring expenses with non-recurring revenues.

9. Prohibit gubernatorial line-item vetoes that cause a net increase in authorized appropriations over projected revenues.

10. Implement a statewide capital budgeting process.

11. Establish a state Capital Budgeting Authority.

12. Institute a performance-based budget system.

13. Make deposits of state revenues expeditiously and disburse monies at appropriate times to maximize investment earnings.

14. Manage agency surpluses more effectively and timely.

15. Create two classes of appropriations: Class A and Class B.

16. Eliminate the mismatch in revenues and expenditures resulting from using the "13th Month" of selected revenues.

INFORMATION TECHNOLOGY

1. Create a vision and strategy for customer service management to be efficiently implemented. Measurement of satisfaction is a must. The cost of the US postal service, phone, or personal interaction far exceeds the cost of delivering customer service electronically, so the state should focus on delivering the predominance of this service through the web.

2. Design and build a single web portal that offers aggregated information about the state – benefits, government and attractions - using standardized templates, content management and Customer Relationship Management (CRM) systems. All agencies must participate in the top-level organization and adopt a common "SC" look and feel.

3. Create a statewide, managed intranet that meets privacy and security needs through which the state's internal customers - employees - can access key information including human resources, retirement, schedules and forms.

4. Create a state clearinghouse – Citizen One-Stop – using a combination of knowledgeable people and workflow software to handle citizen queries and complaints. Working in conjunction with the governor's existing Ombudsman's Office, Citizen One-Stop offers citizens a single point of entry or pipeline into government that can increase access, reduce citizen frustration and increase accountability. Inquiries into a single shared database would follow an electronic workflow process with inquiries assigned to a single agency for response. System reporting capabilities would enable managers to track response times and increase accountability for satisfactory completion. This same centralized data can be mined for opportunities to realign resources and decrease overtime with needs.

5. Complete implementation of Business One Stop (BOS) project, to reduce time and expense for small businesses to complete initial paperwork when they enter business.

6. All IT planning, standard-establishment and policy setting should be centralized. Identify and consolidate common business objectives and the applications required to serve those objectives so the state can take advantage of economies of scale. Focus on fewer and more standardized platforms and applications.

7. All agencies must participate in a statewide inventory of existing hardware, operating systems and software/applications. This inventory should be automated with commercially available software.

8. Complete development of an Enterprise System Architecture. The purpose of such architecture is to provide a context of how technology is utilized within the enterprise and a road map for continual improvement/modification in the future.

9. The governor and an interim council of his creation should place a temporary hold on further development of approved or proposed IT initiatives that are or could be viewed as having multi-agency applicability until a permanent governance structure is in place. The office of the Interim CIO should provide a list of those projects put on hold.

10. The business case review of any new applications must include an analysis of "business readiness." This review will demand that relevant agency business processes are efficient to maximize the ROI for citizens.

11. The state should not be in the software development business. Application systems should be acquired utilizing a development/maintenance strategy.

12. Planning and budgeting processes will consider the life cycle of hardware and software so appropriate cyclical refreshment programs and budget priorities are implemented.

13. Procurement and Information Technology Planning should be appropriately funded by the legislature. If appropriate resources are not made available through legislative appropriation, the procurement office may self-fund through fees for services rendered. No fee greater than the minimum required to fund the CIO's budget for procurement services should be retained and all fees should be open to the State's Chief Budget Officer and the public. Any fees collected for services greater than that required for the tight operational budget of the CIO's office should be used to reduce charges to agencies in the subsequent year. A grievance process should be established to allow any agency that finds like services at a substantially different price than those furnished through the CIO's office to present their case and recommend action.

14. Procurement regulations must be changed to increase competition and access.

15. Information Technology procurement should reside within the Office of the CIO, as the CIO is better positioned to understand how technology applies to business objectives for a single agency or across multiple agencies.

HUMAN RESOURCES

1. Include the senior human resources person in the agency as a regular participant in the leadership activities of the agency (have a seat at the leadership table).

2. Initiate a statewide human resources strategic planning process.

3. Create a high-level function within the governor's office to reinforce agency accountability reports. The office should assess the reports for their completeness and use of evidence-based analysis. The office should prepare a report providing comparative assessments of agency against agency, progress from previous years, and comparison to national standards.

4. Charge OHR with specific authority for HR consultation, systems development, and support to agencies.

5. Hold agency heads and their leadership teams accountable for contributions to achieving the state's human resources goals and Corporate Vision, selection of quality candidates for open positions, managing performance and compensation, retaining high performers and separating ineffective performers, identifying and developing employees for leadership positions and employee participation in required training.

6. Charge OHR with studying the fiscal impact of high turnover in low-pay entry positions, such as correctional officers, to determine if higher pay scales would improve recruitment and retention costs.

7. Make the applicant process more "customer friendly" for the end user by using a simplified universal application form that is easy to complete and maximizes the use of the Internet.

8. Publicize vacancies through multiple points of access throughout the state.

9. Evaluate creating internship programs as a recruitment source for selected positions.

10. Assess the viability of centralizing or outsourcing the recruitment function while maintaining the hiring function at the agency level. Implementing such a plan will eliminate duplication of data and increase cost savings as well as enhance the ability to share applicant data between agencies.

11. Establish an agency Recruiters Council to share learning and group recruitment efforts among like agencies.

12. Encourage revision of the application of the Exemption from the Grievance Act Proviso to include only agency directors, their chiefs of staff and their deputies. (Note: This does not affect at-will employees under the 1993 Restructuring Act)

13. Implement clearly defined public service career paths.

14. Encourage the use of retention tools that are currently in place but are often not effectively utilized and require agency heads to report on their retention efforts in the annual accountability report.

15. Create a statewide competencies/skills assessment center with the capability to assess the skills and competencies of individuals and to assist agencies in assessing their competency needs. Assessment results would provide agency/employee (or potential employee) profiles to be shared across state agencies by creating a database of skill/competency sets available in the current/potential labor pool.

16. Establish a Senior Executive Service (SES).

17. Strengthen the screening process which requires confirmation by the S.C. Senate of all agency director positions appointed by the governor for the purposes of determining qualifications for appointees.

18. Require agencies to develop an Individual Employee Development Plan for each employee which is linked to the annual Employee Performance Management System (EPMS). This consolidated document will result in a streamlining of processes, and should include clear and measurable performance standards (quantitatively where possible) with direct correlation to the agency mission.

19. Utilize training as a performance development tool.

20. Create and require the use of assessment centers to identify high performers for leadership positions.

21. Require agencies to include performance evaluation measures and performance development program in accountability report.

22. Charge OHR with developing and implementing a mandatory performance driven, career-path training program. The path would include developmental programs for points in a career when there is a significant expansion in responsibilities and an important change in knowledge, skill or practice.

23. Utilize the SATC as an advisory mechanism to create the statewide training plan and develop standardized statewide core curricula.

24. Fund career path and core curriculum training as a line item in the State budget. Charge OHR with the responsibility to work with agencies to identify eligible participants and to provide training at no additional cost to agencies.

25. Determine the most effective and efficient manner to deliver career path and core curriculum training either at the agency level or through centralized sources. Utilize the SATC membership to develop a pool of qualified trainers. Evaluate the benefits of outsourcing the delivery of training to state higher education institutions or other sources.

26. Fully utilize technology to deliver training in order to reduce costs and standardize content/delivery.

27. Centralize administration of employee data and training investment management.

28. Charge OHR with developing and implementing an outcomes measurement system that would allow for determination of the return on investment (ROI) in training.

29. Create a developmental program for human resources professionals.

30. Allow, in so far as possible, state leadership to give agency management an opportunity to explain significant policy decisions to employees before release of information to the media and general public.

31. Train all state management personnel on how to best gain employee awareness, understanding, acceptance and commitment by interchanging thoughts, openness, information, data and facts through shared processes.

32. Require agencies to develop and use a written communications plan incorporating multiple communication channels to reach a maximum number of employees with timely, credible and comprehensive information.

33. Require agencies to develop and train supervisors to use feedback sources such as management by walking around (MBWA), open door practices, regular supervisor meetings, small group employee meetings, a telephone "Info/Hot Line" and anonymous feedback mechanisms such as "Q & A", or "Suggestion Box" and/or a link to an agency intranet site.

34. Continue the BearingPoint project as outlined in the South Carolina Information System Business Case Study prepared by the contractor in February 2003. The estimated costs, savings and statewide

5-year phased implementation plan are detailed in the report that is available in the Office of Human Resources. The HR and Payroll components savings is estimated to be approximately $20 million annually when implementation is completed.

35. Urge the General Assembly to mandate participation by all state government agencies as opposed to the optional participation language contained in H.3749 and to establish a separate line item budget each fiscal year to centrally fund the total project as opposed to requiring each agency to pay for implementation from within the individual agency's budget as described in H.3749.

36. Assign implementation and oversight responsibility for the HR and Payroll components of the project jointly to the Comptroller General's Office and the Office of Human Resources. OHR must be the office maintaining comprehensive human resources information for every state employee.

37. Develop an RFP, through an independent actuarial company, to solicit bids on the fully insured group Medicare Supplement program from private insurers and from the Department of Insurance for the State of South Carolina for retirees age 65 and over who receive health benefits from the State Health Plan.

38. Repeal the TERI program to be effective upon the governor's signature, create a process to administer the program for then existing TERI participants, and amend the SCRS statutes to conform to the recent amendments in Act #4879 of 2001-02 made to the Police Officers Retirement System (PORS) statutes.

TRANSPORTATION

1. Create a new state Transportation Services Management Office under the Budget & Control Board or the governor's Office.

2. SCDOT should analyze and then develop innovative ways to fund future projects

3. Restructure some specific job functions by staffing SCDOT with experienced project managers and construction managers to manage and control projects and to develop a plan to gradually eliminate in-house design, surveying, construction inspection and testing forces.

4. Reduce the fees paid to engineering and surveying firms.

5. Consider having a panel knowledgeable in the industry, but with no financial interest, to negotiate large or special design contracts.

6. Continue to recruit and train surveyors and civil engineering firms of all sizes within South Carolina to produce plans and specifications to SCDOT and Federal Highway Administration standards.

7. Develop standardized prototype specifications for each roadway and bridge type to simplify design, construction and inspection.

8. When practical, separate construction projects into two or three bid packages and directly manage all construction projects.

9. Document the maintenance activities presently performed and determine which could be privatized.

10. Clearly define the SCDOT role for "Safety."

11. Be more open and accountable in the methods of funding projects.

12. More fully evaluate the expense side of SCDOT.

13. Examine projects on a "cost/benefit/safety ratio" basis.

14. Identify interested surveying and civil engineering firms resident in South Carolina and initiate a training program to qualify firms for SCDOT work. This would include minority and small businesses in an effort to spread the work. SCDOT should also identify interested construction

testing and maintenance companies in South Carolina and initiate a training program to qualify companies for SCDOT work.

15. The Department of Education should continue to provide consultation and training to district personnel responsible for the drivers and routes. The transportation management curriculum developed by SCDOE and SC State University should be made available to all district transportation coordinators.

16. Computerized routing and scheduling systems should be evaluated to help streamline the processes.

17. Transfer the student transportation program from Department of Education to the new Transportation Services Management Office charged solely with transportation.

18. Fund a recurring fifteen-year replacement schedule in the annual Appropriations Act. This replacement schedule of 375 new buses annually would increase safety for the students and decrease the cost of maintenance. In each of the next five years, 500 buses should be procured to catch up to the 15-year schedule / 250,000 mile replacement schedule.

19. The Department of Education should prepare an RFP for operation of the statewide bus system by a private company or companies and should prepare an RFP for a couple of regions within the state, to include one urban area packaged with several rural counties as a test case.

20. Recommend that the state fully bear the costs of transporting students as currently provided in Section 59-67-420 of the SC Code of Laws, seeking from the federal government full funding for unfunded mandates such as No Child Left Behind, English as a Second Language and magnet schools.

21. All the laws, rules and regulations pertaining to school transportation be examined and updated to reflect current programs and needs.

22. Consideration should be given to block grant funding for school districts to eliminate the costly shifting and charging of funds back and forth between the state and local districts.

23. Creation of a "Human Services Transportation Management Office" under the new Transportation Services Management Office. The funds, personnel and equipment for client transportation in the different agencies should be transferred to the new Transportation Services Management Office.

24. Each of the agencies or programs currently involved in client transportation appoint a member to a Statewide Transportation Coordination advisory body.

25. Each "service" area should have a Coordinated Public Transportation Advisory Board to oversee, support and ensure conformance with the Service Plan.

26. Governor should direct his Cabinet agencies the Departments of Health and Human Services and Social Services to transfer their client transportation programs to the new Human Services Transportation Management Office.

27. The 1/8 '00 Hawker ownership could be replaced with a 1/16 fractional ownership which would save approximately $200,000 in annual operating costs plus a one time $700,000 capital return.

28. In Columbia, the State's '90 King Air 350 would be retained and the two '70's vintage aircraft at USC could be replaced with a '95 King Air B200.

29. At Clemson, the two '70 vintage Turbo Commanders could be traded in for a '93 King Air C90-B at an expected even trade with a reduction of about $300,000 per year in operating costs.

30. The '83 King Air C-90-1 at MSUC in Charleston would continue.

31. Recommend centralized maintenance of aircraft at Aeronautics maintenance facility at Columbia airport.

32. Consolidate the four helicopters at SLED since they are all quick-response law enforcement missions.

33. Consolidate the fixed wing aircraft of SLED, Forestry and Natural Resources under the Aeronautics Commission.

34. The airport maintenance program, equipment and personnel be transferred to the SC Department of Transportation. The SCDOT has the equipment and personnel to take over this program. Mowing along the roadside and runway are very similar. However, safety training needs to be provided for employees working around airplanes. Airport support, which is generally development, maintenance or upgrading of airport facilities, should remain a function of Aeronautics because it is technical and safety related.

35. State Fleet Management (SFM) should assume responsibility for managing the State Fleet of cars, vans, light trucks and other vehicles up to one-ton capacity.

36. SFM lease rates be structured to include a <u>flat rate</u> common to all vehicle classes that would cover only insurance and fixed overhead costs, <u>and a two tiered mileage rate tied to projected life cycle</u>.

37. Recommend that fuel not be included in the mileage rate but billed as a separate line item pass-through cost to the end users.

38. Recommend that SFM statewide regulatory costs be recovered through a surcharge on the fuel purchases rather than recovered through lease rates.

39. Individual agencies, upon concurrence by the State Fleet Manager, should retain responsibility for managing fleets of generally large (over one ton), agency specific vehicles such as SCDOE's school buses and SCDOT's highway equipment, and Federally funded vehicles.

40. SFM should continue to provide a central motor pool in Columbia and at other locations where cost effective.

41. Require Agency Heads to justify to the governor and/or their boards the permanent assignment of all vehicles based on the annual "Break Even Analysis" prepared by SFM.

42. SFM should use the State Treasurer's Master Lease Program to finance the interim transition of state vehicles into the SFM Fleet.

43. Detailed analysis be performed to verify findings that there are cost effective investment opportunities to consolidate maintenance shops and, where justified, that shops be consolidated.

44. It is recommended that most of the 12 maintenance shops (excluding SCDOT & SCDOE) in the Columbia area be replaced over time by three or four large shops built in strategic locations (Shop Road, Bull Street, Broad River, and State Park if it is developed as a state health campus).

45. As has been previously recommended, SCDOT and SCDOE should consolidate their district and county shops over time as the existing shops are replaced. The new consolidated shops should also perform maintenance for other state, county and city vehicles in the area. The proceeds from the sale of the SCDOT and SCDOE sites in each county should be used to buy the land and construct the consolidated facility.

46. State Fleet Management should continue to expand its Commercial Vendor Repair Program, and include local governments.

47. All of the Department of Education school bus maintenance shops should immediately come under the State Fleet Management Shop Accreditation Program.

48. Create a centralized state travel office, utilizing existing state resources, within the Transportation Management Office.

FACILITIES AND CAPITAL ASSET MANAGEMENT

1. As advocated by Governor Sanford, form a Department of Administration (DOA) responsible for the acquisition, disposal and management of all state-owned or state-occupied real property, except for universities and enterprise agencies. Proceeds from the sale of property would be received into a central real property account within DOA.

2. The ownership and record of state-owned and occupied real property will be handled by the DOA.

3. Eliminate the current (CPIP) requirement to obtain appropriations on all major maintenance projects and establish a separate maintenance budget that would be based on best commercial practice and benchmark costs per square foot.

4. So strong is our belief in the potential savings resulting from central ownership authority, we advise that all leasing and procurement activities of the state be held in abeyance until the above recommendations have been successfully implemented.

5. One of the first orders of business for the new DOA (or perhaps for the governor via Executive Order) should be a thorough analysis of state owned/occupied facilities by an independent consultant and a real estate firm with demonstrated expertise in dealing with large portfolios.

6. As a corollary to the previous recommendation, the selected independent firm retained by the state should include in its evaluation and analysis both the leasing as well as ownership elements as recited above, in conjunction with the GSD.

7. Target additional rate changes for camping and lodging based on demand and occupancy levels of the operations.

8. The Park Service, in conjunction with an external marketing firm, should develop a comprehensive marketing program.

9. The DOA, in conjunction with various agencies and the private sector, should institute sustainable growth management of mature forests in order for the forests to become financially self-sustaining.

PROCUREMENT

1. Increase the centralization of core procurement functions.

2. Develop a business management oversight and coordination process within state procurement to evaluate the need for specifications in large-scale solicitations by state agencies with the possibility of linking them to satisfy other agency or statewide requirements.

3. Develop a statewide electronic purchasing and financial accounting system that includes standardized commodity and service code sets.

4. Expand and improve the procurement information system. Minimize the processing complexities for purchases less than $25,000.

5. Allow state agencies more flexibility in the disposition of unspent appropriations and carry forward at the close of a fiscal year.

6. Create a standardized confidential questions and reporting system.

7. Maximize the expenditure of procurement dollars in-state where feasible.

8. Establish a new definition and requirements for being listed in a state procurement database as an "in-state" vendor

9. The state should consider "best value" evaluations of state-wide term contracts for commodities and services to favor in-state businesses where practical

10. Review and revise the existing exemptions in the procurement code.

11. Maximize the expenditure of procurement dollars with in-state small business vendors where feasible.

12. Establish a clear definition and requirements for being listed in the state procurement database as an "in-state small business" vendor.

13. The state should consider "best value" evaluations of state-wide term contracts for commodities and services to encourage increased consideration for in-state small businesses.

14. Encourage local small business vendors to bid on larger contracts.

15. Encourage the development of "incubator" business sectors. The Board of Economic Advisors, in cooperation with the Department of Commerce and state research universities, should determine which industries and sectors are to be labeled as incubators for development within the state.

PUBLIC SAFETY

1. Explore a consolidated procurement system for all state law enforcement agencies.

2. Consolidate projects and centralize project management.

3. Establish a centralized communications system.

4. Establish common policies, procedures and standards for communications equipment for all state law enforcement agencies and use a consolidated procurement for communications equipment. This will enable agencies to operate on like equipment, and thereby enable interoperability.

5. Review of all agency vehicle utilization and determine type and number of vehicles vital to the agency's public safety mission.

6. Utilize a consolidated leasing and purchasing program to enable the state to take advantage of price breaks on vehicles purchases and leases.

7. Consolidate all law enforcement vehicle maintenance and service facilities. This could enable agencies to pool resources and eliminate costly and duplicative maintenance facilities and service.

8. Consolidation and establishment of a centralized law enforcement data warehouse coupled with universal data base standards could enable real time access and protection of vital data to all users in the criminal justice process from arrest to parole.

9. Establish comprehensive processes and procedures to promote information sharing.

DEPARTMENT OF SOCIAL SERVICES

1. Structurally reorganize DSS by consolidating all administrative services along functional lines under a single Deputy Director and all operational, policy and program services under a single Deputy Director. Reorganize field operations to regionalize indirect services and retain direct services at the county (point of service) level.

2. Move daycare licensing to another Agency—perhaps DHEC, which has complementary regulatory functions.

3. Purchase and install an integrated Administration system.

4. Take steps to increase likelihood of success in completing the Child Support Enforcement System (CSES).

5. In concert with a fully empowered CIO, develop an overall architecture that will permit migration of all Social Service programs to an integrated system. Use either CSES or CAPSS as the lead system under this revised architecture.

6. Consider developing a coalition of small states to develop an integrated system that supports all social service programs distributing federal funds.

7. Build the interfaces between systems within DSS. Work with other agencies involved to develop similar interfaces.

8. Evaluate the use of laptops or other form of mobile computing compatible with DSS applications systems for caseworkers in the field, to include a cost/benefit of this use of technology.

9. Establish a formal strategic planning and budgeting process.

10. Institute a quality assurance program that provides both statistical and qualitative analysis of program efficiency and assistance in data driven policy and operational decision-making.

11. Develop and implement a single application process for all DSS services. Currently, an application process, requiring significant staff time, must take place with each new service a client receives. Note: Recommendation addressed in Information Technology Section. This would dramatically improve client satisfaction.

12. Provide caseworker laptops for casework documentation.

13. Devote greater effort to client education. Heavy paperwork loads prevent caseworkers from devoting adequate time on Independence Planning with clients. Addressing item 2 will provide resources (time) to address item 3.

14. Improve client communications though small improvements. Pursue documentation update management by mail. Develop large posters and brochures on documentation requirements for each service to avoid unnecessary repeat visits to caseworker.

15. The Agency should begin planning over the next few years, in the event supplemental TANF funds do not become available, to redirect TANF funding in a way that moves more resources directly to constituents and positively affects quality of life in South Carolina.

16. Implement a transition or change management model similar to the one undertaken in the SC Department of Commerce.

APPENDIX II:
CITIZEN SURVEY REPORT

INTRODUCTION

As part of its efforts to determine how South Carolina government can be made more productive, efficient and cost effective, the Commission on Management, Accountability and Performance (MAP) conducted a survey of citizens in the state. Respondents in this survey were interviewed by telephone, with a random sample of households with telephones in the state selected by means of random-digit dialing. Interviews were conducted between July 24 and August 6, 2003 by the interviewing staff of the University of South Carolina's Institute for Public Service and Policy Research. A total of 516 interviews were conducted. The response rate for this survey was 50.3%; the potential for error due to sampling is $\pm$ 4.3%. To avoid biasing the sample in favor of households that can be reached on multiple phone numbers, each case is weighted inversely to its probability of being included in the sample. The data are also weighted to correct any potential biases in the sample on the basis of age, race, sex and number of adults in the household.

As part of this survey, respondents were asked questions on the quality of life in South Carolina, trust in government and state government's role, the effectiveness of state government in a number of areas such as reducing unemployment, providing for the health care needs of the elderly, improving the quality of the state's forests waters and wetlands, as well as what they would tell Governor Sanford about how to improve state government. This report provides a summary of the findings for these questions. In addition to presenting the major findings for the complete sample, comparisons across several demographic subgroups such as race, age, education, family income and region of the state are made in order to identify significant differences in opinion on these issues.

CURRENT CONDITIONS IN SOUTH CAROLINA

The first questions in this survey asked respondents to assess current conditions in the state. Specifically, those interviewed were asked if they would rate the quality of life in the state as excellent, good, fair, poor, or very poor and whether they thought things in South Carolina were generally headed in the right direction or off on the wrong track. In general, South Carolinians expressed positive views about the state. About one in six people rated the quality of life in the state as excellent, 55.0% rated it as good and 21.3% thought it was fair; only 5.2% rated the quality if life in South Carolina as poor and 2.1% felt it was very poor. Similarly, a majority (57.8%) of South Carolinians surveyed thought that all in all, things were generally headed in the right direction in the state; 30.2% thought things were off on the wrong track and 12.0% said they did not know.

While these sentiments are generally shared across demographic subgroups, there are some significant differences among groups in their perceptions on these issues. The largest differences on these two questions are in the responses of black and white respondents. Black respondents were much less likely than whites (5.8% to 21.0%) to feel that the quality of life in the state was excellent and much more likely to rate it as fair (33.1% to 16.2%), and a higher percentage of blacks (14.4%) than whites (3.6%) rated the quality of life as either poor or very poor. Similarly, blacks were the only group examined in which less than a majority thought that things in the state were generally headed in the right direction. Among blacks, 43.1% expressed this view, while 40.1% felt that things were off on the wrong track and 16.8% said they did not know.

In addition, the differences in responses to the question on the quality of life in South Carolina across income groups and by level of education are statistically significant, though they are not particularly large. These

differences are largely the result of a higher percentage of "poor" or "very poor" responses among those with family incomes of $25,000 or less or with less than a high school education. Even among these groups, however, only about 15% of respondents rated the quality of life in the state as poor or very poor.

On the question of whether things in South Carolina are generally headed in the right direction or on the wrong track, the differences in addition to those between blacks and whites that were statistically significant were among age groups and across regions of the state. Across age groups, a higher percentage of younger people said that things in the state were on the right track. A higher percentage of residents of the Lowcountry (67.5%) than those from either the Upstate (52.2%) or the Midlands (56.7%) believed that things in South Carolina were generally headed in the right direction.

TRUST IN STATE GOVERNMENT AND STATE GOVERNMENT'S ROLE

The next questions in this survey asked respondents how much of the time they thought they could trust state government and whether they thought state government does too many things that should be left to individuals and private businesses or should do more to help solve the state's problems.

In terms of trust in state government, the view of the South Carolina public is decidedly mixed. Less than five percent of those responding felt that state government could be trusted "just about always" and a similar percentage (7.4%) thought state government could never be trusted. A majority of the public felt they could trust state government some of the time, and another 37.0% said state government could be trusted most of the time.

While, on balance, the South Carolina public is wary of state government, there are several groups for which this sentiment is more prominent. Black respondents were less likely than whites to trust state government, with 61.4% of blacks (compared to 47.6% of whites) saying they trusted government only some of the time, and 10.7% of blacks (compared to 5.4% of whites) indicating that state government can never be trusted. Similar differences were found across income groups, with those with family incomes under $25,000 more likely to feel that government can be trusted only some of the time and a larger percentage of those from higher income families saying that government can be trusted most of the time. A higher percentage of respondents from the Midlands (60.9%) than those from either the Upstate (51.1%) or the Lowcountry (40.0%) believed that state government can be trusted only some of the time.

On the question of whether government does too many things or should do more to help solve the state's problems, a higher percentage (57.8%) thought that state government should do more than felt it was doing too many things that should be left to individuals and private businesses (42.2%). With the exception of those with family incomes of $75,000 or more – who split exactly 50/50 on this issue – a majority of each subgroup examined felt that state government should do more to help solve the state's problems. A number of group differences were statistically significant, with the largest distinction again found between blacks and whites. While whites were fairly evenly divided on this issue (50.4% to 49.6%), a large majority of blacks (75.6%) felt that state government should do more to help solve the state's problems. In addition, those with family incomes under $25,000 were more likely than those with incomes above this level to feel the state should do more. A higher percentage of women (63.3%) than men (51.9%) expressed the view that the state should do more, and those in the youngest (18 – 29) and oldest (65 and over) age groups were more likely than those in the middle age groups to feel the state should do more to help solve the state's problems.

RATINGS OF STATE SERVICES

The next set of questions in this survey asked respondents to rate nine state services as excellent, good, fair, poor or very poor. The final column of this table presents a summary mean for these items. In calculating these means, "excellent" responses were given a value of five; "good" a value of four; "fair" a value of three; "poor" a value of two; and "very poor" a value of one, so that higher mean values represent a more positive evaluation of a service.

The results indicate that South Carolinians generally rate these state services as either good or fair, with relatively small percentages assessing these services as excellent or very poor. The service that was most positively evaluated was the quality of the state's park and public recreation areas; 15.2% of respondents rated this as excellent, an additional 55.8% thought that parks and recreation areas were good, and less than one percent felt they were very poor. The quality of the state's forests, waters and wetlands was also rated relatively positively, with a majority rating this aspect of state service as good, 8.8% rating it as excellent, and 1.2% rating it as very poor.

Citizen assessments of the state's efforts to protect and improve the overall health of South Carolina residents were viewed more positively than were the ways it goes about providing for the health care needs of the poor or the elderly. While the percentage rating any of these three items as excellent was small, a higher percentage (43.2%) rated efforts to protect overall health as good than expressed this view about providing health to the poor (30.9%) or providing for the health care needs of the elderly (28.1%). More than 35% thought that the way the state goes about providing for the health care needs of the elderly was poor or very poor, 33.1% felt this way about efforts to provide health care for the poor, while a much smaller percentage (18.6%) believed that efforts to protect and improve the overall health of South Carolina residents were poor or very poor.

The aspect of state services that was rated least positively was the quality of South Carolina's streets, roads and highways. Slightly more than one-third of respondents rated streets, roads, and as fair, and roughly equal percentages rated them as good (27.2%) or poor (28.6%). In addition, efforts to reduce unemployment in the state received relatively low ratings (mean, 2.94). Efforts to reduce unemployment received the highest percentage of fair responses (36.1%) and 7.9% thought these efforts were very poor.

The most noteworthy feature of these results is the consistent difference evident in the views of black and white respondents. For seven of these nine items, these differences were statistically significant, and in each case the evaluations of whites were more positive than were those of blacks. In assessing state government's efforts to reduce unemployment, for example, 38.5% of white respondents rated this aspect of service as excellent or good, compared to 17.3% of blacks, and a much higher percentage of blacks (48.2%) than whites (25.1%) rated efforts to reduce unemployment as poor or very poor. Similarly, whites were much more likely than blacks to rate the job the state is doing in helping business and industry expand opportunities for good jobs in South Carolina as excellent or good (50.4% to 26.3%), while a much higher percentage of blacks than whites (40.1% to 16.0%) rated these efforts as poor or very poor. This same pattern – with whites more likely to give excellent or good ratings and blacks more likely to view them as poor or very poor – was found for the items on the way the state goes about providing health care to the poor, efforts to protect and improve the overall health of South Carolina residents, and efforts to provide assistance to those in need. For the items on efforts to improve the quality of the state's forests, waters and wetlands and the quality of the state's parks and recreation areas, whites were also more likely to give excellent or good responses while a higher percentage of blacks rated these aspects of state services as fair.

Other group differences in these evaluations were neither as large nor as consistent as those found between blacks and whites. Significant differences across income groups were evident on the question of the job the state is doing in helping business and industry expand opportunities for good jobs in South Carolina. For this

item, a much higher percentage of those with family incomes under $25,000 thought the state's efforts were poor or very poor than did those with higher family incomes. Similarly, those in this lowest income group were less likely to rate the quality of the state's parks and public recreation areas as excellent or good and more likely to rate it as poor or very poor. Income differences were also statistically significant for the question on efforts to reduce unemployment in the state. For this item, those with family incomes in the $50,000 to $75,000 range were most likely to rate these efforts as excellent or good, while the highest percentage of poor or very poor responses was found among those with incomes under $25,000.

Significant differences across age groups were evident for the three items related to the state's provision of health care services (to the poor, to the elderly and protecting and improving the overall health of South Carolina residents). On the question of providing health care to the poor, a higher percentage of the youngest (18 – 29) and oldest (65 and over) age groups rated this service as excellent or good. For the items on providing for the health care needs of the elderly and protecting and improving overall health the views of those ages 18 to 29 were distinct from other groups. Younger people tended to rate these aspects of state services more positively and were less likely to view them as either poor or very poor.

Only one significant difference was found across education levels. For the question on the state government's efforts to reduce unemployment, those with less education were more likely to rate these efforts as poor or very poor. The percentage of poor or very poor responses decreased from 50.0% among those with less than a high school education to 34.9% of those with high school diploma, 27.5% of those who had attended some college and 25.9% among those with a college degree. There was also only one significant difference between men and women on these items, with a higher percentage of men than women (78.8% to 65.6%) rating the quality of the state's park and public recreation areas as excellent or good, and women more likely than men to give parks and recreation areas a fair rating (26.8% to 17.8%). Across regions there was also one significant difference. On the question the quality of South Carolina's streets, roads and highways, those from the Lowcountry (46.0%) were more likely to give a rating of poor or very poor than were those from the Midlands (37.4%) or the Upstate (29.2%).

WHAT CITIZENS WOULD TELL GOVERNOR SANFORD

For the final question in this survey respondents were asked, "If you could tell Governor Sanford one thing about how to improve state government, what would you tell him?" Respondents to this survey provided a wide variety of answers to this question, ranging from wanting the governor to address a personal situation, to compliments about the way he is handling his job (as well as some negative statements) and comments on a number of issues or problems facing the state.

The topics that most people would like to discuss with the governor involved the major issues facing the state. The area that was most frequently mentioned was government budgeting and spending, followed by education, health care and social services, the economy and crime. About five percent of the public made general comments or wanted to talk to the governor about some other topic. Approximately 17% of those interviewed said they had no comment to make to the governor, and 3.2% said they did not know what they would tell Governor Sanford.

Responses in the area of government budgeting and spending included a number of comments on the need to lower taxes, dissatisfaction with some aspect of state services and questions about the spending of lottery funds. One example is the respondent who wanted to say to the governor, "Cut back on property taxes for automobiles. Items should not be taxed, like food, clothes and other necessities, to help a lot of poor people." Another person would tell Governor Sanford that he "Just needs to do overall improvements in services the state government provides." Several people had questions about how lottery money was being spent, including the respondent who wanted to know "why they did away with poker machines, then got the lottery. Is the lottery generating the same dollars as poker machines generated? Now that we have the lottery

we need accountability. Publish statements on profits, whether monthly, quarterly, or yearly; distribution of the money - administration vs. education benefits."

TOPIC AREAS THAT CITIZENS WOULD TALK TO GOVERN SANFORD ABOUT	
Topic Area	**%**
Government Performance and Spending	30.4
Education	15.7
Health Care/Social Services	14.9
Economy	10.2
General Comments	5.3
Crime	2.9
Don't Know	3.2
Nothing/No Comment	17.4

Responses in the area of education were somewhat more focused, in that individuals who would tell the governor to improve state government by dealing with the issue of education stressed the need to improve education as well as the need to allocate additional funding for schools. A number of people said they would tell the governor that "education needs to be improved," while others would urge Governor Sanford to spend more money on education. Other suggestions in this area included the allocation of lottery money for education, with some respondents wanting more money to be spent on K – 12 education and less on colleges and others believing that lottery money should be spent more equally on public and private schools.

In the area of health care and social services, respondents wanted to tell Governor Sanford that state government could be improved if, among other things, the cost of health insurance could be reduced, health care could be improved for the elderly, nursing homes improved, or the cost of prescription drugs reduced. As one respondent noted, "Health care needs to be improved in South Carolina. We are below national standards in health care."

Almost all of the ten percent of respondents who would talk to the governor about economic issues would urge him to bring more jobs to South Carolina. Typical of the responses in this area was that from the individual who would tell the governor, "I would like to see more done in the area of employment; jobs are a very important issue and so many people are without one." Other respondents wanted to the send the same message, although in slightly different ways. For example, "figure out a way to attract more industry to the state in general," and "find more technology-based businesses and bring them into the state. Make it attractive for technology-based businesses to locate in South Carolina."

Citizens who wanted to talk to the governor about crime were generally concerned about reducing crime in the state, reducing crime in specific areas, such as schools, and having more law enforcement personnel. General comments covered a number of topics, ranging from more stringent immigration laws, to eliminating the blue laws and keeping the National Guard strong.

Summary

The results of this survey demonstrate that South Carolinians generally feel positive about the quality of life in the state, with about one in six residents rating the quality of life as excellent and another 55% rating it as good. A majority of South Carolina residents also think that things in the state are generally headed in the right direction.

The public is somewhat wary of state government. A majority feels that state government can be trusted only some of the time, with only 4.4% believing it can be trusted most of the time and 7.4% feeling state

government can never be trusted. Despite these reservations, a majority of citizens believes that state government should do more to help solve the state's problems.

Respondents in this survey also have somewhat mixed evaluations of a number of services provided by state government, with most services being rated as good or fair and with relatively small percentages believing that any of these services were excellent. There was also variation in the evaluation of these services, with items such as the quality of the state's parks and public recreation areas and the quality of the state's forests, waters and wetlands receiving relatively positive ratings and activities such as the state's efforts to reduce unemployment, the way it provides for the health care needs of the elderly and the quality of the state's streets, roads and highways evaluated less positively.

If given the opportunity, residents of the state would tell Governor Sanford a wide range of things that they think can be done to improve state government. Although citizens' concerns and suggestions cover a number of topics they are largely directed to the areas of state government performance and spending, education, health care and social services, economic issues and crime.

While there are a number of differences among groups in their responses to the questions included in this study, the distinction that was generally largest and most consistent was that between blacks and whites. Blacks were less likely than whites to believe that the quality of life in South Carolina was excellent or good and more likely to feel that things in the state were off on the wrong track. In addition, blacks generally rated those aspects of state services that were evaluated in this study less positively than did whites.

CITIZEN ONLINE PUBLIC OPINION SURVEY

PERCENTAGE BREAKOUT OF RESPONSES

1. How would you rate the quality of life in South Carolina?
   - a. Excellent — 13.2%
   - b. Good — 45.4%
   - c. Fair — 27.5%
   - d. Poor — 8.7%
   - e. Very Poor — 1.4%
   - f. No Answer — 3.8%

2. Are things headed in the right direction or wrong track?
   - a. Right Track — 34.1%
   - b. Wrong Track — 50.0%
   - c. No Answer — 15.9%

3. How much of the time do you trust state government?
   - a. Just about always — 5.10%
   - b. Most of the time — 27.9%
   - c. Some of the time — 50.7%
   - d. Never — 11.2%
   - e. No Answer — 5.2%

4. Which of these two (2) statements do you agree with more?
   - a. State govt. does too many things — 34.8%
   - b. State govt. should do more — 53.5%
   - c. No Answer — 11.7%

5. Rate state government's efforts to reduce unemployment in SC.
   - a. Excellent — 1.8%
   - b. Good — 16.1%
   - c. Fair — 32.0%
   - d. Poor — 24.9%
   - e. Very Poor — 15.2%
   - f. No Answer — 10.0%

6. Rate state government in helping business and industry expand opportunities.
   - a. Excellent — 3.9%
   - b. Good — 22.4%
   - c. Fair — 33.4%
   - d. Poor — 23.50%
   - e. Very Poor — 8.1%
   - f. Non Answer — 8.7%

7. Rate the quality of South Carolina bridges and highways.
   - a. Excellent — 2.5%
   - b. Good — 22.3%
   - c. Fair — 35.6%
   - d. Poor — 22.5%
   - e. Very Poor — 12.5%
   - f. No Answer — 4.6%

8.   Rate state government for the way it provides health care to the poor.
- a. Excellent   4.6%
- b. Good   18.1%
- c. Fair   26.1%
- d. Poor   20.0%
- e. Very Poor   15.7%
- f. No Answer   15.6%

9.   Rate state government for the way it provides health care to the elderly.
- a. Excellent   2.6%
- b. Good   14.4%
- c. Fair   25.8%
- d. Poor   25.6%
- e. Very Poor   16.3%
- f. No Answer   15.3%

10.   Rate state government to protect and improve overall health of SC residents.
- a. Excellent   2.3%
- b. Good   21.0%
- c. Fair   32.0%
- d. Poor   231%
- e. Very Poor   11.3%
- f. No Answer   10.4%

11.   Rate state government to provide assistance to those in need.
- a. Excellent   4.2%
- b. Good   19.3%
- c. Fair   30.5%
- d. Poor   19.7%
- e. Very Poor   14.1%
- f. No Answer   12.2%

12.   Rate state govt. to improve the quality of the states, forests, waters, & wetlands.
- a. Excellent   7.7%
- b. Good   36.4%
- c. Fair   25.3%
- d. Poor   13.0%
- e. Very Poor   5.6%
- f. No Answer   12.1%

13.   Rate the quality of the states parks and public recreation areas.
- a. Excellent   16.5%
- b. Good   45.9%
- c. Fair   22.2%
- d. Poor   5.3%
- e. Very Poor   2.8%
- f. No Answer   8.2%

14.   State government effectively addresses instances of fraud, waste, or abuse?
      a. Definitely Not   31.8%
      b. Possibly Not   25.9%
      c. Neutral   20.9%
      d. Possibly Yes   13.4%
      e. Definitely Yes   3.9%
      f. No Answer   4.2%

15.   Enhance accountability if Governor had more control of state agencies?
      a. Definitely Not   13.8%
      b. Possibly Not   14.8%
      c. Neutral   15.2%
      d. Possibly Yes   30.3%
      e. Definitely Yes   21.3%
      f. No Answer   4.6%

16.   Number of statewide elected officials:
      a. Too Many   37.2%
      b. Just Right   29.0%
      c. Too Few   18.6%
      d. No Answer   15.2%

EXECUTIVE ORDER 2003-15

State of South Carolina
Executive Department

FILED

JUN 1 0 2003

Mark Hammond
SECRETARY OF STATE

Office of the Governor

EXECUTIVE ORDER NO.

2003-15

WHEREAS, the economic health of this State is a top priority for our citizens; and

WHEREAS, as chief executive of the State, I am charged with improving the way our state government does business; and

WHEREAS, it is necessary to determine ways in which government systems and services can be made more productive, more efficient and less costly, while providing an emphasis on customer satisfaction and productivity; and

WHEREAS, other states and the federal government have successfully undertaken similar efforts and identified sound management practices while enhancing accountability and performance, thereby serving the best interests of their citizens.

NOW, THEREFORE, I do hereby establish the Governor's Commission on Management, Accountability, and Performance (the "Commission").

1. The Commission shall analyze government systems and services in South Carolina in an effort to propose changes which will reduce costs, increase accountability, improve service, consolidate similar functions, return functions to the private sector, and help South Carolina be more competitive in a world economy.

2. The Commission shall be comprised of fourteen members appointed by the governor, one of whom shall serve as chair, and the Lieutenant Governor and Comptroller General as *ex officio* members.

Executive Order No. 2003-15
Page Two

3. The Commission shall be authorized in the furtherance of its mission to hold public hearings, conduct site visits of government agencies, and take such other actions as it deems necessary and advisable.

4. The Commission will release its final report by September 30, 2003.

5. The Governor's Office and the Office of the Executive Director, Budget and Control Board, shall provide staff support as necessary to assist the Commission in carrying out the directives of this Executive Order.

This Order shall take effect immediately.

GIVEN UNDER MY HAND AND THE GREAT SEAL OF THE STATE OF SOUTH CAROLINA, THIS _10th_ DAY OF JUNE, 2003

MARK SANFORD
Governor

ATTEST:

MARK HAMMOND
Secretary Of State

Task Force Members and Other Contributors

Procurement

The Honorable Andre' Bauer (Chair)
Lieutenant Governor
Columbia, South Carolina

The Honorable David M. Beasley
Former Governor
Society Hill, South Carolina

Sam Cerezo
Instructor
Camden Military Academy
Camden, South Carolina

Bill Dukes
Restaurateur and Member
Richland-Lexington Airport
District Commission
Columbia, South Carolina

Carl Falk
President
Falk-Griffin Foundation
Pawleys Island, South Carolina

The Honorable Carl Gullick
Former Chairman
York County Council
Rock Hill, South Carolina

Dr. Mark Hartley
Professor
College of Charleston
Charleston, South Carolina

Scott Inkley
Deputy Director
Central Supply, State Budget and Control Board

The Honorable Ken Kennedy
Member
South Carolina House of Representatives
Greeleyville, South Carolina

Robert G. Liming
Program Manager
Department of Health and Human Services

Dr. Tony Lolas
Chief
Bureau of Business Management
Department of Health and Environmental Control

The Honorable Gerald Malloy
Member
South Carolina Senate
Hartsville, South Carolina

Stacy Manning
Procurement Coordinator, Division of Procurement Services,
Bureau of Business Management
Department of Health and Environmental Control

Rosvelt Martain
Member Procurement Review Panel and Instructor
Camden Military Academy
Columbia, South Carolina

Ed McMullen
President
South Carolina Policy Council
Columbia, South Carolina

The Honorable Jim Miles
Former Secretary of State
Isle of Palms, South Carolina

Harry Miller
Executive Vice President for Planning and Development
Comporium Group
Rock Hill, South Carolina

Cathy Novinger
Executive Director
Palmetto Agribusiness Council
Columbia, South Carolina

Randy Page
Chief of Staff
Office of the Lieutenant Governor

David Quiat
Procurement Management Services, Materials Management Office, State Procurement Office

Alan Saleeby
President
CompuWorld, Inc.
Columbia, South Carolina

Voight Shealy
Director
Materials Management Office,
State Budget and Control Board

Mary Sims
Director
Division of Procurement Services
Bureau of Business Management
Department of Health and Environmental Control

Delbert Singleton
Director
Procurement Services Division
State Budget & Control Board

Mike Spicer
Chief Procurement Officer
Information Technology Office
Division of the Chief Information Officer

Mike Thomas
State Engineer
Materials Management
State Procurement Office

Ron Thomas
Special Assistant
Office of the Lieutenant
Governor

Vic Traywick
Senior Assistant Comptroller
General

Hobart Trotter
Government Relations
Consultant
Riley, Pope & Laney
Columbia, South Carolina

The Honorable Tim Wilkes
Small Business Chamber of
Commerce

John Wilkins
Special Assistant
Office of the Lt. Governor

Matt Winslow
Procurement Specialist II
Division of Procurement
Services
Bureau of Business
Management
Department of Health and
Environmental Control

CUSTOMER SATISFACTION

Rebecca Collier
General Services Division
State Budget and Control
Board

Tom Collier
Santee Electric Cooperative,
Inc.

John D. Davila
D.C. Advanced Medical
Associates
Murrells Inlet, South Carolina

The Honorable Chip C. Huggins
Member
South Carolina House of
Representatives
Sales Manager
Century 21 Bob Capes
Columbia, South Carolina

Melanie Joseph
Legislative Liaison
Department of Insurance
Columbia, South Carolina

Floyd L. Keels (Chair)
President and Chief Executive
Santee Electric Cooperative, Inc.
Lake City, South Carolina

David Lucas
Ombudsman
Office of the Governor
Columbia, South Carolina

Hardy L. Merritt, Ph.D.
Program Manager
General Services Division, State
Budget and Control Board
Columbia, South Carolina

Harry M. Miller, Jr.
Executive Vice President of
Planning and Development
Comporium Group
Rock Hill

Gloria Prevost
Executive Director
Protection and Advocacy for
People with Disabilities, Inc.
Columbia, South Carolina

John Rockholz
Retired Teacher and Member
South Carolina Air National
Guard
Columbia, South Carolina

Martin E. Rogers
Chief Executive Officer
Sumter Eagle Management
Training and Development
Services
Sumter, South Carolina

Bessie Sanders-Gordon
Director
Head Start and Adoption
Services
Columbia, South Carolina

Jan Simpson
Board of Architecture,
Department of Labor, Licensing
and Regulation
Columbia, South Carolina

Emerson Smith, Ph.D.
Chief Executive Officer
Columbia, South Carolina

Ellissa Swicord
Santee Electric Cooperative, Inc.

E.Y. Turner
Barrineau Accounting
Sumter, South Carolina

Lisa Woods
Santee Electric Cooperative, Inc.

HUMAN RESOURCES COMMITTEE

Caroline Agardy
Human Resources
Budget & Control Board
Columbia, South Carolina

Mina M. Antley, Ph.D.
Training and Development
Manager
Division of Human Resources,
University of South Carolina
Columbia, South Carolina

Kim Aydlette
Director
Department of Social Services
Columbia, South Carolina

Joe Benton
Richland County Director
Department of Juvenile Justice
and State Employee Association
Columbia, South Carolina

Morris J. Blackman, Ph.D.
Clinical Professor, Senior
Consultant
Neuropsychiatry and Behavioral
Science
University of South Carolina
Columbia, South Carolina

Peggy G. Boykin
Director
South Carolina Retirement
Systems
Columbia, South Carolina

Laurette Burdyl
Program Manager
Office of Human Resources
Budget and Control Board
Columbia, South Carolina

Cary Chamblee
Associate Director
Department of Natural
Resources
Columbia, South Carolina

Jean Cowell
Human Resources Director
Department of Natural
Resources
Columbia, South Carolina

Cynthia G. Dannels
Assistant Director
Human Resource Management
Office
Parks, Recreation & Tourism
Columbia, South Carolina

Steve Deller, (Chair)
Former Manager of Human
Resources
Westinghouse Nuclear Fuel
Division
Columbia, South Carolina

Bob Derrick
Derrick Associates,
Georgetown, South Carolina

John DeWorken
South Carolina Senate
Columbia, South Carolina

Margaret Dreher
Human Resources Director
Department of Revenue
Columbia, South Carolina

Carl Falk
Falk-Griffin Foundation
Pawleys Island, South
Carolina

Frank Fusco
Executive Director
Budget and Control Board
Columbia, South Carolina

Dr. Elizabeth Gressette
Executive Director
Palmetto State Teachers
Association
Columbia, South Carolina

Michelle James
Municipal Association of South
Carolina
Columbia, South Carolina

Broadus Jameson
South Carolina State Employees
Association
Columbia, South Carolina

Sam Jones
Senior Assistant Director
Office of Human Resources
Budget & Control Board
Columbia, South Carolina

**The Honorable Becky R.
Martin**
Member
South Carolina House of
Representatives
Anderson, South Carolina

Phil McGee, Ph.D.
Assistant Professor of
Technology and HRD
Clemson University
Clemson, South Carolina

Hardy Merritt, Ph.D.
Organizational Effectiveness
Coordinator
General Services Division
Columbia, South Carolina

John A. Near
Human Resources Director
Department of Corrections
Columbia, South Carolina

Lisa Nichols
Senate Finance
Columbia, South Carolina

Steve Osborne
Chief of Staff
Budget and Control Board
Columbia, South Carolina

Robin Owens
Human Resources Director
Department of Social
Services
Columbia, South Carolina

Richard G. Patsy
Director of Investments
State Treasurer's Office
Columbia, South Carolina

Jon B. Pierce
Associate Director, Ph.D.
Center for Governmental
Services Institute for Public
Service and Policy Research,
Columbia, South Carolina

Roland Rabon, Sr.
Retired
Lugoff, South Carolina

Dr. Lonnie Randolph
Columbia, South Carolina

Lynn Rivers
Human Resources Administrator
Labor, Licensing & Regulation
Columbia, South Carolina

Dr. Eddie Robinson
President
Midlands Veterinary Practice
Columbia, South Carolina

John Robinson
Legislative Consultant
South Carolina Association of
School Administrators
Columbia, South Carolina

Gail Roth
Director Training and Staff
Development
Department of Corrections
Columbia, South Carolina

Terry Self
Human Resource Consultant
Terry Self & Associates
Sumter, South Carolina

Mike Shealy
Senate Finance
Columbia, South Carolina

Beverly Smith
House Ways and Means
Columbia, South Carolina

Shakun Tahilian
Assistant State Treasurer
State Treasurer's Office
Columbia, South Carolina

Edwin Thomas
Director
Center for Governmental
Services Institute for Public
Service and Policy Research
Columbia, South Carolina

Donna Traywick
Former Director
State Human Resources
Director Columbia
Columbia, South Carolina

Samuel L. Wilkins
Director
Office of Human Resources
Budget & Control Board
Columbia, South Carolina

Kathy Williams
South Carolina Association of
Counties
Columbia, South Carolina

Transportation

Mumin Abdulrazzaaq
Director, Medicaid
Transportation
Health & Human Services

Jerry Calk
Manager
State Fleet Management

Marshall Casey
Director of Maintenance
Department of Education

Tony Chapman
Deputy State Highway
Engineer
Department of Transportation

Carl Chase
Asset Manager
Department of Transportation

Lt. J. D. Connely
Support Services
Highway Patrol
Public Safety

Michael Covington
Department of Transportation

Ira E. "Bud" Coward
Director Aeronautics Division
Department of Commerce

Jim Feda
Director of Maintenance
Department of Transportation

William E. Gilbert
President
Gilbert Group, LLC
Greenwood, South Carolina

James Gourley
Southeastern Freight Lines
Columbia, South Carolina

**The Honorable Leon
Howard**
Member
House of Representatives
Columbia, South Carolina

Ken Humphries, PHD
President
Geotechnical and
GeoEnvironmental Engineers
Group
Columbia, South Carolina

Scott R. Inkley, Jr.
Deputy Director
General Services Division
Columbia, South Carolina

M. Elaine Johnson
Administrator
Resource Management
Public Safety

Thomas A. Johnson
Program Manager
Department of Transportation

Walter I. Johnson
Director of Flight Operations
Aeronautics Division
Commerce Department

Jamey Kempson
Director Airport Maintenance
Aeronautics Division
Commerce Department

Elizabeth Mabry
Executive Director
Department of Transportation

Major Van McCarty
Staff Operations
Law Enforcement Division
Department of Natural
Resources

Katie McClure
Charleston School District

Patricia Berne Mizell
Program Manager, Mass Transit
Department of Transportation

Val Nash
Chief of Freshwater Fisheries,
Wildlife and Freshwater
Fisheries

William E. Page
Director of Fleet Maintenance
State Fleet management
Columbia, South Carolina

John Pettigrew
Edgefield, South Carolina

Dr. Eddie Robinson (Chair)
Columbia, South Carolina

Stewart H. Rodman
Hilton Head Island, SC

Derrell Shipes
Chief of Wildlife Management
Wildlife and Freshwater
Fisheries
Department of Natural
Resources

Major Greg Smith
Region One
Law Enforcement Division
Department of Natural
Resources

Andre' Stanley
Department of Health and
Environmental Control
Columbia, South Carolina

Roy Stehle
Beaufort School District

Donald Tudor
Director of Transportation
Department of Education

Swain Whitfield
Whitfield Transportation, Inc.

Elmer Whitten
Deputy Superintendent
Department of Transportation

Angie Williams
Senior Auditor
Office of Audit Services
Department of Natural
Resources

BUDGET PROCESS, ACCOUNTING, AND FINANCIAL MANAGEMENT

Les Boles
Budget Director
Budget & Control Board

Meredith Cleland
Department of Revenue

Gerry Dickinson
Vice President
South Carolina Policy Council
Columbia, South Carolina

Jean Duke
President
Colonial Life
Columbia, South Carolina

Ben Duncan
Budget Director
Office of the Governor

The Honorable Richard Eckstrom (Chair)
Comptroller General
Columbia, South Carolina

Terry Floyd
President
TM Floyd & Company
Columbia, South Carolina

Hunter Howard
President
State Chamber of Commerce
Columbia, South Carolina

Paul Jarvis
State Treasurer's Office
Columbia, South Carolina

Kelly Jones
Partner in Charge
Grant Thornton
Columbia, South Carolina

Nat Kaminski
Chief of Staff
Comptroller General's Office
Columbia, South Carolina

Marsha LePhew
CPA
LePhew Financial Consulting
Rock Hill, South Carolina

Michelle Patterson
Legislative Staff
Rep. Roland Smith's Office

Stu Rodman
Hilton Head, South Carolina

The Honorable Roland Smith
Member
South Carolina House of
Representatives
Warrenville, South Carolina

Bob Staton
President
United Way
Columbia, South Carolina

Angela Stoner
Office of State Budget

Bob Toomey
Transition Staff
Office of the Governor

Regan Voit
President
Chem-Nuclear
Barnwell, South Carolina

Dr. Bruce Yandle
Strom Thurmond Institute of
Government & Public Affairs
Clemson, South Carolina

Richard Young
USC Institute for Public Service
and Policy Research
Columbia, South Carolina

OPERATIONAL REVIEW OF DEPARTMENT OF SOCIAL SERVICES

John Ammerman
Project Administrator
Child Support and
Enforcement

Kim Aydlette
State Director
Department of Social
Services
Columbia, South Carolina

Tom Bardin
Assistant Director,
Performance Assessment
Office of Program Policy and
Oversight

Leigh Bolick
Assistant Director
Family Independence Policy
and Program Development

Robert L. Brannon
Program Coordinator II
Office of Fiscal and Information
Systems

Tim Cash
Director
Adult Services and Case
Management
Division of Human Services

Tom Christmus
Project Manager, Information
Systems
Office of Fiscal and
Information Systems

Craig Clamp
Information Tech Manager
Information Systems

Kelly Cordell
Deputy State Director
Program Policy and Oversight

Beth Curry
Human Services Specialist II
Newberry County DSS

Richelynn Douglas
County Director
Richland County

Larry Druffel
President
South Carolina Research
Authority

Monty Felix
Deputy State Director
Regional and County Operations
Department of Social Services
Columbia, South Carolina

Greg Frohnappel
Director
Management Support
Office of Regional and County
Operations

Karen Y. Garrison
Program Coordinator II
Office of Fiscal and Information
Systems

Michael Givens
Director of Budgeting Systems
Office of Fiscal and Information
Systems

Thelma R. Graves
Assistant Director
Office of Fiscal and
Information Systems

Richard Handy
Assistant Director, Classification
and Compensation
Office of Human Resource
Management

Ronnie Huffman
Director, Managed Treatment
Services
Office of Regional and County
Operations

Dawn F. Huntley
President
Strategic Innovations
Greer, South Carolina

Jennie M. Johnson (Chair)
President
JMJ Partners, LLC
Greenville, South Carolina

Ray J. Jones
Program Coordinator II
Office of Fiscal and
Information Systems

Katheryn Kendrick
Supervisor, Interstate
Compact
Division of Human Services

Dot Killian
Assistant General Counsel
Office of General Counsel

Kay Kirkpatrick
County Director
Clarendon County DSS

Linda S. Martin
Director
Planning & Research, and
Family Independence
Office of Program Policy and
Oversight

Anne Graham Masters
Greenville, South Carolina

William C. McHenry, EdD.
Rock Hill, South Carolina

Larry McKeown
Director
Child Support Enforcement
Office of Program Policy and
Oversight

Eleanor C. Odom
Director of Human Resources
Department of Commerce
Columbia, South Carolina

Robin E. Owens
Director
Human Resource Management
Office of Administration and
Program Support

Larry Poole
Director
Information Systems
Office of Fiscal and Information
Systems

Wendell Price
Deputy State Director
Administration and Program
Support

The Honorable Rex Rice
Member
South Carolina House of
Representatives
Fontaine Corporation
Legislative Representative
Easley, South Carolina

Madlyn Salley
Family Independence Case
Manager
Orangeburg County DSS

Howard L. Schrott
Chief Financial Officer
Liberty Corporation
Greenville, South Carolina

Rick Throckmorton
Charleston, South Carolina

Tom Turner
County Director
Abbeville County DSS

Robin Verenes
Assistant Director
Information Technology

Cliff White
Deputy State Director
Fiscal and Information Systems
Department of Social Services
Columbia, South Carolina

Mary C. Williams
Director of Human Services
Office of Program Policy and
Oversight

Ginny Williamson
Deputy State Director
General Counsel

Larry Young
Supervisor
Family Independence/Food
Services

PUBLIC SAFETY

Stephen Birnie
Chief of Staff
SCDPPPS

Israel Brooks
Highway Patrolman

Sheriff Al Cannon
Charleston County

Dean Crisp
Chief
City of Greer

Mary Lynne Diggs
Department of Health and
Human Services

Lt. Richard Hunton
SLED

Floyd L. Keels (Chair)
President and CEO
Santee Electric Cooperative,
Inc.

Ray Nash
Sheriff
Dorchester County

**The Honorable Michael
Pitts**
Member
House of Representatives
Laurens, South Carolina

Elissa Swicord
Santee Electric Cooperative

Paul Whitten
Director
Horry County Emergency
Preparedness

Lisa Woods
Santee Electric Cooperative

FACILITIES & CAPITAL ASSETS

David Bell
State Appraiser
Lexington, South Carolina

Mark Dudley
Park Ranger
State Park Services
Columbia, South Carolina

Steve Edwards
Seneca, South Carolina

J. T. Gandolfo
Dodgeland of Columbia, Inc.
Columbia, South Carolina

Jim Gordon
Gordon Commercial Real Estate
Columbia, South Carolina

Robert "Bob" Isherwood
Columbia, South Carolina

Devon Lake
Statistics & Research Analyst
Irmo, South Carolina

Al Loftis
Property Program Manager
Columbia, South Carolina

John Lumpkin, Jr.
Columbia, South Carolina

Andy Marion
Columbia, South Carolina

Dan Marlow
Assistant Director-FM
Lexington, South Carolina

Bill McCallum
Program Manager
FM Construction & Planning

Tammi McLees
Statistics & Research Analyst
Columbia, South Carolina

Tom McMurray
Engineer
FM Construction & Planning
Chapin, South Carolina

Julie Mergo
Parking Administration
Coordinator
Irmo, South Carolina

Carol Norfleet
Administration Coordinator
Cayce, South Carolina

Aaron Redmond
Program Manager
FM Energy & Environmental
Columbia, South Carolina

Jay Rinehart
Rock Hill, South Carolina

Joe Rogers
Director
General Services Division
Columbia, South Carolina

Wayne Rush
Attorney, General Services
Columbia, South Carolina

Bob Selman
Columbia, South Carolina

Dr. Diane Smathers
Associate Vice Provost
Clemson University
Westminister, South Carolina

Bachman S. Smith, III
Charleston, South Carolina

Mike Stewart
Leasing Program Manager
Columbia, South Carolina
John Stock
State Appraiser
Lexington, South Carolina

Bruce Taylor
Account/Fiscal Manager
Columbia, South Carolina

G. N. "Butch" Wallace
Agent
State Farm Insurance Company
West Columbia, South Carolina

Bernice Wiggleton
Greenwood, South Carolina

Kim Wilkerson
Bank of America
Columbia, South Carolina

Ken Wingate (Chair)
Attorney
Columbia, South Carolina

Bob York
Columbia, South Carolina

The Honorable Annette Young
Member
House of Representatives
Summerville, South Carolina

Cynthia Young
Assoc Engineer, FM
Construction & Planning
Columbia, South Carolina

INFORMATION TECHNOLOGY

The Honorable Kenneth Clark
Member
South Carolina House of Representatives
Swansea, South Carolina

Jack Claypoole
Executive Director
LRADAC Behavioral Health
Center of the Midlands
Clemson, South Carolina

Andrew Daniel
Student
Clemson University
Clemson, South Carolina

Larry Druffel, PhD
CEO
South Carolina Research
Authority
Charleston, South Carolina

William Hogue, PhD
Chief Information Officer
University of South Carolina
Columbia, South Carolina

Pamela Lackey
Director of Government
Relations
Bell South
Columbia, South Carolina

Aidan Myers
Intern/Student
Office of the Governor/Duke
University
Columbia, South Carolina

Alexander Opoulos
Senior Financial Advisor
Condon Moore Opoulos Team
Merrill Lynch

Barbara Rackes (Chair)
Founder and President of
The Rackes Group
Columbia, South Carolina

Martin Roche
Director, Information
Technology/GIS Division
Department of Commerce

Caron St. John, PhD
Director/Professor of
Management
Clemson University
Clemson, South Carolina

Emerson Smith, PhD
Sociologist, President and CEO
Metromark
Columbia, South Carolina

Stephen K. Wiggins
Senior Vice President, CIO
BCBSSC/Companion
Columbia, South Carolina

John Zemp
Project Manager, Customer
Service Group
Division of the State CIO
Columbia, South Carolina

ORGANIZATIONAL STRUCTURE

Dr. Morris J. Blachman
Assistant Dean
Continuing Medical Education and
Faculty
Development USC of Medicine
Columbia, South Carolina

Kelly O. Boni
Executive Director
Behavioral Health Services of
South Carolina
Columbia, South Carolina

Bill Boykin
Forestry Commission
Columbia, South Carolina

Richard Brockman
The Consulting Group of
Jocassee, Inc
Liberty, South Carolina

David Burnette
Director
Patriot's Point Development
Authority
Charleston, South Carolina

Tom Campbell
Owner, Flagpoles and Flags Co.
Mount Pleasant, South Carolina

Mike Caston, P.E.
Executive Director
SJWD Water District
Easley, South Carolina

Cary Chamblee
Department of Natural
Resources
Columbia, South Carolina

Jack W. Claypoole
Executive Director
LRADAC
Columbia, South Carolina

**The Honorable Dan Cooper
Member**
House of Representatives
Piedmont, South Carolina

Franklin G. Daniels
Attorney

Marvin Davant
Director
Conservation Bank Board
Columbia, South Carolina

Rick DeVoe
Director
Sea Grant Consortium
Charleston, South Carolina

Bob DiAntonio
Principal/Owner – Priority
Performance Group
Spartanburg, South Carolina

Carl O. Falk (Chair)
President of Falk-Griffin
Foundation
Pawleys Island, South Carolina

Michael W. Fields
Nelson Mullins Riley &
Scarborough, LLP
Pawleys Island, South Carolina

John Frampton
Director
Department of Natural
Resources
Columbia, South Carolina

Lewis F. Gossett
President and CEO
South Carolina Manufacturers
Alliance
Columbia, South Carolina

Steve F. Gravely
The Consulting Group of
Jocassee, Inc
Pickens, South Carolina

Thomas Kennaday
Nelson Mullins Riley &
Scarborough, L.L.P.
Columbia, South Carolina

Lesia Shannon Kudelka
Department of Labor, Licensing,
and Regulation
Columbia, South Carolina

Buford Mabry
Department of Natural
Resources
Columbia, South Carolina

William E. Masters
President, Kinetixx, Inc.
Greenville, South Carolina

Don McLaurin
Columbia, South Carolina

Lois Park Mole
Director, Government and
Community Relations
South Carolina Department of
Disabilities and Special Needs
Columbia, South Carolina

Larry Moody
Forestry Commission
Columbia, South Carolina

John Near
Subcommittee Member
Columbia, South Carolina

Edward Nicholson
Department Chair, Health
Science
Midlands Technical College
Lexington, South Carolina

Larry Philbin
Santee Cooper
Summerville, South Carolina

Charles Ramsey
Forestry Commission
Columbia, South Carolina

Otis B. Rawl, Jr.
Vice President, Public Policy
South Carolina Chamber of
Commerce
Columbia, South Carolina

Sandra Rawls-Robinson
Owner, The Vacation and Cruise
Source
Mount Pleasant, South Carolina

Fred Sheheen
Institute of Public Service and
Policy Research
University of South Carolina
Columbia, South Carolina

Bob Showalter
Director
Forestry Commission
Columbia, South Carolina

Rob Tester
Director
Employee Insurance Program
Columbia, South Carolina

Richard D. Todd, Jr.
Business Student
Columbia, South Carolina

Freddy Vang
Department of Natural
Resources
Columbia, South Carolina

Megan Walthall
Rock Hill, South Carolina

Angie Williams
Department of Natural
Resources
Columbia, South Carolina

Richard Young
Director of Governmental
Research
Institute for Public Service
and Policy Research
University of South Carolina
Columbia, South Carolina

STAFF AND OTHER CONTRIBUTORS

In Memory of our Friend,

Joseph D. Shine

STATE EMPLOYEES

Who Helped Make it Happen in So Many Different Ways……

Don Addy
Vivian Alston
Bob Amburgey
Mark Baier
Pete Bailey
Laura Baker
Nan Bass
Ann Beatty
Jim Bennett
John Bigham
Robin Bishop
Randy Black
Bobby Bowers
Charles Bradberry
Carol Brannon
Bruce Breedlove
Dr. Shiela Breitweiser
Gail Buckner
Don Burson
Gwen Bynoe
Chris Byrd
Beth Campbell
Reba Campbell
Doug Carlisle
Melissa Carter
Chris Cassady
Nancy Cassells
BM Cave
Mart Chatman
John Clark
Frans Coetzee
Mary Coffey
Debbie Cooper
Libby Cooper
George Crouch
Debbie Dangerfield
Tammy Davis
Vashti Dean
Nancy Dennis
Liz Devore

Dennis Dickerson
Shearon Drakeford
Doug Drenning
Debra Duncan
Teresa Duncan
Jonathan Eason
Sonja Eichelberger
Steve Elliott
Tony Ellis
Shelly Ellison
Cathy Elrod
Jason Epting
Ed Evans
Chuck Fallaw
Tom Fletcher
Dell Ford
Jim Forth
Michael Freeman
Tim Frier
Chantal Fryer
Dave Gerth
Bill Gillespie
Patricia Gilmore
Deborah Glenn
Pat Goodwin
Dr. Blease Graham
Bill Grant
Kiala Grate
Deanne Gray
Joyce Green
Mary Green
Rodney Grizzle
Mike Gulledge
Joy Gunter
Carolyn Hall
Larry Harvey
Tina Hatchell
Jones Herring
Kyle Herron
Baron Holmes
Mike Horton
Tom Hudkins
Terri Humphries
Taylor Ingram
Larry Johnson
Pat Kellar
Laura Kelly

Sandra Kelly
Tony Kestor
Kenneth Kinney
Kaye Koonce
Jack Kresslein
Sundra Ladson
Ashlie Lancaster
Joye Lang
Renee Larsen
Marcie Leaphart
Kim Lee
Lakeshia Lee
Jimmy Lever
Susan Lifsey
Bert Livingston
Janet Lockhart
Elizabeth Lowman
Tom Lucht
Jackie Lundeen
Mike MacFarlane
Rob Malpass
Dorothy Marchant
Don Massey
Shirley McCandless
Norma McCarthy
Bill McClary
Jeff McCormack
Karl McCottry
Sarah McDonald
Tom McMurray
Pam Meacham
Bob Merritt
Katie Morgan
Polly Morrison
Robin Nabors
Dr. Bob Oldendick
Marie Orris
Bill Page
Jeff Patterson
Shirley Pendleton
Tamara Peoples
Mitch Perkins
Lisa Phipps
Elease Portee
Diane Porter
Diane Poston
Patsy Powell

Shawn Powers
Tracy Price
Tona Quinton
Wanda Randolph
Paulette Redfern
Kay Riley
Allen Roberson
Alberta Robinson
Teka Roundtree
Billy Routh
Megan Rush
Shirley Schoonover
Gail Seay
Mildred Seay
Barbara Sellers
Brenda Shaw
Glenn Sheely
Fred Sheheen
Jane Sloan
Rosanna Smith
Tracy Smith
Doug Smoak
Joelle Snyder
Holley Sparkman
Mike Sponhour
Andre Stanley
Melissa Stark
Patricia Stephens
Kathy Stoehr
Brenda Suber
Cheryl Swan
Diana Tester
Rob Tester
Lynn Timmons
Margie Trapp
Petra Turner
Travis Turner
Dr. Charlie Tyer
Nell Tyler
Stephen Van Camp
Bill Vaughn
Chad Walldorf
Bill Walsh
Bessie Watson
Laura Watts
Linda Watts
Pamela Watts

Jo Wessinger
Karen Wilkes
Valerie Wilkie
Sam Wilkins
Sandy Yates
Bonnie Zeigler
Ed Zobel

And with special thanks to:
    Helen Munnerlyn
    Tom Finnigan

ADDITIONAL INFORMATION TECHNOLOGY:

Pax Darlington
William Herlong
Bob Hughes
Neil McLean
Worth D. Roverts III
Bernie Robichau

DESIGN:
Adams Group
CNSG (Chernoff Newman Silver Gregory):
    Tim Kelly
    Taj Shiben

PRINTING:
Department of Corrections:
    Tony Ellis
    Kenneth Kinney
    Darrell Stotts
    Print Shop Staff