

# 2008

**Annual Report**

Council on Efficient Government



Advocate  
educate  
Evaluate



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# Letter from the Chairman

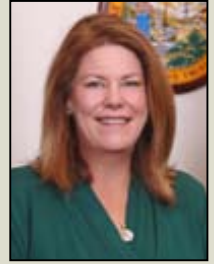
## Commitment to Service

- Develop human resources practices that create a workplace of choice that fosters recruitment, retention, development, recognition and reward.
- Improve our contract management capabilities.
- Create a robust strategic plan for each major program and service area.
- Focus on the processes and procedures of our core competencies to create a springboard for world-class performance.
- Measure what matters and continually improve the quality of services delivered to our customers.

## Reducing the Overall Cost of Government

The legislature recognized that agencies should focus on their core missions and deliver other services by outsourcing or contracting with private sector providers when these providers can effectively and efficiently provide these services and reduce the overall cost of government.

The Council on Efficient Government (Council) plays a vital role in state government by creating an environment where enterprise-wide projects can be conceived, developed and successfully implemented. The Council's mission is to review, evaluate and provide advice on agency outsourcing and best practices, as well as to coordinate and apply lessons learned to increase government accountability.



The Florida Efficient Government Act was created in 2006. The Council is comprised of seven members from the public and private sectors, appointed by the governor. The legislature recognized that agencies should focus on their core missions and deliver other services by outsourcing or contracting with private sector providers when these providers can more effectively and efficiently provide the services, and reduce the overall cost of government.

As chairman, it's my honor to be part of such a wonderfully diverse and knowledgeable team. During the past year, the Council and its staff reviewed 21 business cases valued at more than \$94 million and trained 130 state employees in business case development and submission best practices. Additionally, the Council delivered a special report to the governor on key findings and lessons learned for three large statewide projects with a combined value of over \$550 million. By thoroughly evaluating each business case and educating state employees, we ensure both sound business practices and accountability are applied to the investment of state funds.

Sincerely,

A handwritten signature in blue ink that reads "Linda H. South". The signature is written in a cursive, flowing style.

Linda H. South  
Chairman  
Council on Efficient Government

# Message from the Executive Director



The Council was created by the legislature in 2006 to act in an advisory capacity to state agencies as they seek new and better ways of delivering services to the citizens of Florida. This role has taken on additional significance in light of the ongoing financial challenges before the state. State employees are asked to do more, better and faster, but with fewer resources.

To support state agencies in this goal, the Council works directly with stakeholders to incorporate industry standard best business practices in government operations. To achieve this goal, the Council has implemented a planned, three-phased approach: Advocate, Educate and Evaluate.

**Advocate for the value of innovation and sound business practices in state operations.** The Council works with agencies to seek new and better ways of more efficiently delivering current and future services. Additionally, the Council advises agencies about the value of in-depth financial and process analysis to ensure the correct decision-making occurs despite the constraint of limited resources.

**Educate agencies on industry standard best practices and lessons learned.** The Council has developed tools and processes to support agencies in the development of robust business cases for proposed projects. Council staff has launched training activities to teach stakeholders how to qualify options and make recommendations that increase the potential for successful project execution. The Council has also worked to deliver training for the Project Management Professional (PMP®) and Florida Certified Contract Negotiator (FCCN) certification programs.

**Evaluate business cases for value and success potential.** The Council ensures compliance with state and federal statutes as well as industry standard best practices. The review process takes into account financial analysis such as cost-benefit analysis, return on investment, and pricing benchmarking. Additional procedural and operational considerations are also reviewed, such as procurement processes, incorporation of performance measures, vigorous contracting language, contingency plans, resources for impacted employees, and continuity of business operations.

This “Council on Efficient Government Annual Report for Fiscal Year 2007-2008” marks the first full year of operations for the current Council. We are excited to deliver this report and be able to positively impact government operations and the delivery of services to our customers, the citizens of Florida.



Henry Garrigo  
Executive Director, Council on Efficient Government

## Why an Annual Report?

The Florida Efficient Government Act of 2006 requires the Council to produce an annual report on the state of outsourcing for Florida’s executive agencies.

As required by statute, the report must include:

- The status of outsourcing in the State of Florida; and,
- Innovative trends that lead to new and better ways of delivering current and future services.

# Executive Summary

At a time of economic changes, it has never been more critical for state government to thoroughly analyze the way it conducts business. This annual report outlines Florida's efforts to outsource and forecast emerging trends to increase efficiency in the delivery of services. It covers two focus areas: the development and review of business cases to outsource, and special initiatives given to the Council by the legislature and the governor's office.

The collected data reviews the current quality and value of outsourcing in Florida's state government. Eighteen of 29 agencies reported a total of 551 outsourced projects during the FY 2007-2008. The value of these projects is \$2.8 billion annually, with a cumulative lifetime value exceeding \$8 billion. Since this is the second survey year, trend analysis indicates a 90 percent increase in the

number of projects when compared to the previous FY. This number, however, is skewed by 332 projects valued at \$1.2 billion from the Department of Elder Affairs (DEA) that were not included in last year's data.

There is no significant increase in the number of projects that completed cost-benefit analysis prior to solicitation, with the current level at 9 percent. Projects with performance metrics included in the procurement documents rose 5 percent. These data points reflect an opportunity for agencies to improve both the quality of pre-solicitation qualifications and post-contract management.

The Council acts as an advisory board for agencies planning large-scale projects to determine whether insourcing or outsourcing provides the smartest option. In addition to supporting agencies' efforts in

business case development, the Council also reviews the completed business cases. During FY 2007-2008, the Council established standard processes for the development, submission, and review of business cases and in addition, trained agency staff. Council staff hosted business case development and submission workshops and training sessions for 130 state employees. The Council also reviewed 21 business cases valued at more than \$94 million, identifying more than \$29 million in potential savings to the state.

## Over \$29 Million in Potential Savings Identified

During FY 2007-2008, the Council reviewed a total of 21 business cases valued at more than \$94 million, identifying more than \$29 million in potential savings to the state.

This total value of over \$94 million reflects an increase of 52 percent when compared to the value of FY 2006-2007 business cases, which totaled \$62 million.

This reflects a decrease in the number of business cases reviewed over the previous year, as several agencies did not initiate new projects. Total value, however, increased to \$94 million in FY 2007-2008 from the \$62 million total value reviewed in FY 2006-2007, or an increase of 52 percent.

Ongoing state budget concerns highlight the need for more innovative methods for delivery of state services. This report discusses two initiatives that help state government deliver services in an economically-challenging environment, both for state employees and citizens. These trends, while valuable independently, when deployed simultaneously deliver cross-functional support and synergies to state government. By engaging in “green” activities, the state can find significant cost savings while reducing environmental impact. State employees can also participate in identifying these and other improvements and share in the savings generated through participation in employee incentive programs.

During FY 2007-2008, the Council, in conjunction with the Department of Management Services (DMS) Division of State Purchasing, conducted a series of training sessions to certify PMPs (93 employees) and FCCNs (90 employees) for agency staff. The Council also published an in-depth study, *“Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire,”* to identify key findings, best practices, and lessons learned from these three, large, complex state projects. The key findings, industry standard best practices, and lessons learned included in this report were distributed to agency heads, the legislature and the governor.

### **For Return on Investment, No Agency Can Beat the Council on Efficient Government...**

**“For return on investment, no Agency can beat the Council on Efficient Government. Each of the council’s four employees saved the taxpayers about \$7.25 million last year.”**

**(Tallahassee Democrat, 25 August 2008, “Privatization’s New Motto: Think About It First,” Cotterell, Bill)**

# Council Overview

## The Council on Efficient Government (Council)

### Mission Statement

The Council's mission is to review, evaluate and provide advice on agency outsourcing and best practices, as well as to codify lessons learned to improve government accountability. It is the Council's goal to define the process for reviewing business cases and implement standard processes for outsourcing initiatives.

The Council was created by the Florida Efficient Government Act of 2006<sup>1</sup> in response to a growing trend to outsource government services and positions. The legislature recognized that agencies should focus on their core missions and deliver other services by outsourcing or contracting with private sector providers, whenever providers can more effectively and efficiently provide the services and reduce the overall cost of government. The legislature also recognized that business cases to outsource should be evaluated for feasibility, cost effectiveness and efficiency.








The Council meets regularly to ensure the statutorily required responsibilities are being met. Meetings are open to the public and are subject to the "Florida Sunshine Law".<sup>2</sup> Notices of

Council meetings are posted in the Florida Administrative Weekly<sup>3</sup> and on the State of Florida Vendor Bid System.<sup>4</sup> Meeting dates and related materials are posted on the Council's Web page: [http://dms.myflorida.com/other\\_programs/council\\_on\\_efficient\\_government](http://dms.myflorida.com/other_programs/council_on_efficient_government).

## FY 2007-2008 Council Members

The Council is comprised of seven members appointed by the governor. As indicated below in Table 1, "FY 2007-2008 Council Members," the seven members include the Secretary of DMS (who serves as chairman), a cabinet member other than the governor, two heads of executive branch agencies and three members from the private sector.

**Table 1: "FY 2007-2008 Council Members"**

						
<b>Linda H. South</b> Chairman Secretary Department of Management Services	<b>Alex Sink</b> Chief Financial Officer Department of Financial Services	<b>Steve Evans</b> Chief Operating Officer Florida TaxWatch	<b>Lisa Echeverri</b> Executive Director Department of Revenue	<b>Akhil Agrawal</b> President American Medical Depot	<b>Holly Benson</b> Secretary Department of Business and Professional Regulation	<b>Timothy Yandell</b> Owner & Chief Executive Officer inetUSA

1 Chapters 287.0571, F.S. to 287.0574, F.S.

2 Chapter 286.011, F.S.

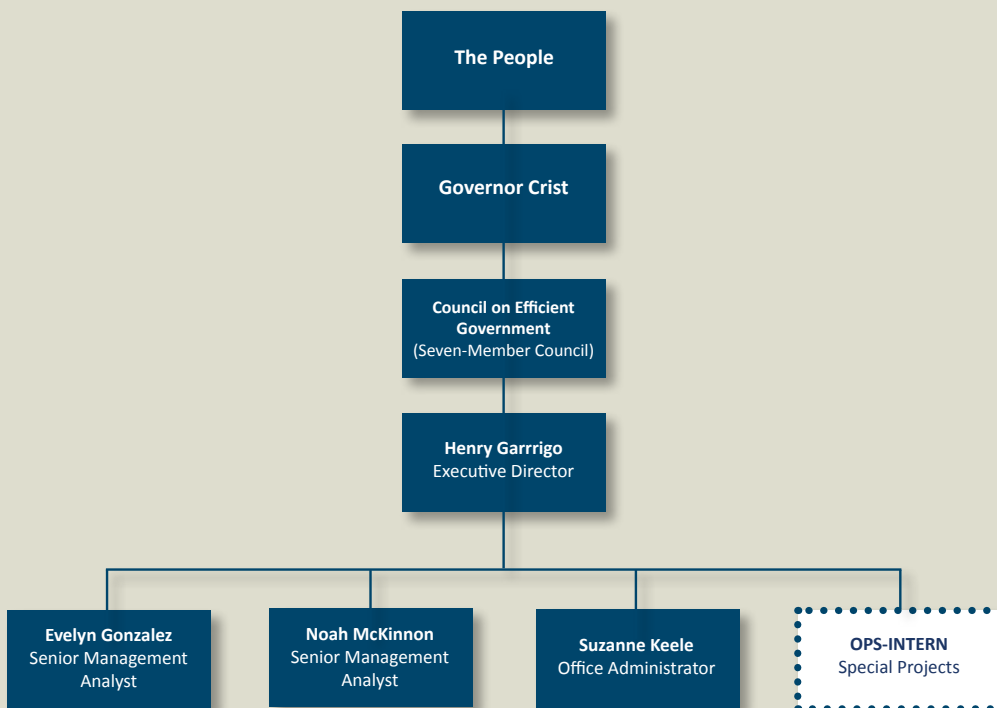
3 Chapter 120.525, F.S.

4 Chapter 287.042(3)(b)2, F.S.

# Council Staff Members

Council staff, indicated below in Table 2, “Council Staff Organization Chart,” provides technical and tactical support to Council members and state agencies. In addition, Council staff members consult with and train state agencies in the development and submission of comprehensive business cases.

**Table 2: “ Council Staff Organization Chart”**



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# The Status of State Outsourcing

## Introduction

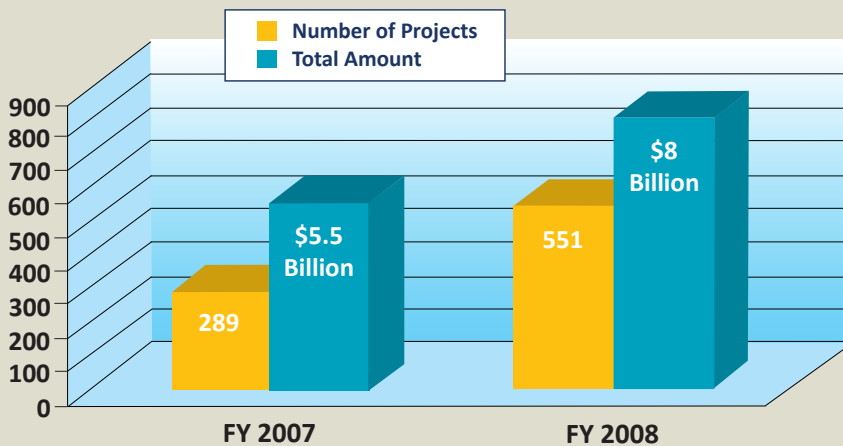
Each year, the Council surveys state agencies regarding the status of state outsourcing. The results of this survey are shown below in Table 3, “Number of Outsourced Projects and Value by Year” and Table 4, “Number and Value of Outsourced Projects by Agency.” During FY 2007-2008, the Council requested information on agency outsourcing from 29 state agencies. All agencies responded; 18 agencies reported ongoing outsourcing efforts; and, 11 agencies reported no active outsourcing projects. Data includes:

- State agencies reported 551 outsourced projects with a value of more than \$8 billion.
- (DEA) reported 332 projects totaling \$1.2 billion.<sup>5</sup>
- The average value of outsourced projects was \$5 million.
- The average outsourced project contract life was 2.7 years ranging from one to 21 years.
- Five agencies, DEA, Department of Children and Families (DCF), the Department of Juvenile Justice (DJJ), DMS and Department of Corrections (DOC), account for 90 percent of the total number of outsourced projects. These agencies also represent 95 percent of the total projected calendar and FY expenditures for outsourced services.
- The cost-benefit analysis component of the business case was completed for 9 percent of the projects reported.
- Only 13 percent of existing agency outsourced projects did not include performance metrics in the contract. Agencies reported 97 percent of providers are meeting performance requirements for those contracts that include these requirements.
- Agencies reported 39 outsourced projects with project slippages and/or contract violations.



<sup>5</sup> For the Council's Annual Report for FY 2007-2008, DEA data was excluded to ensure accurate data comparisons against previous year results.

**Table 3: “Number of Outsourced Projects and Value by Year”**



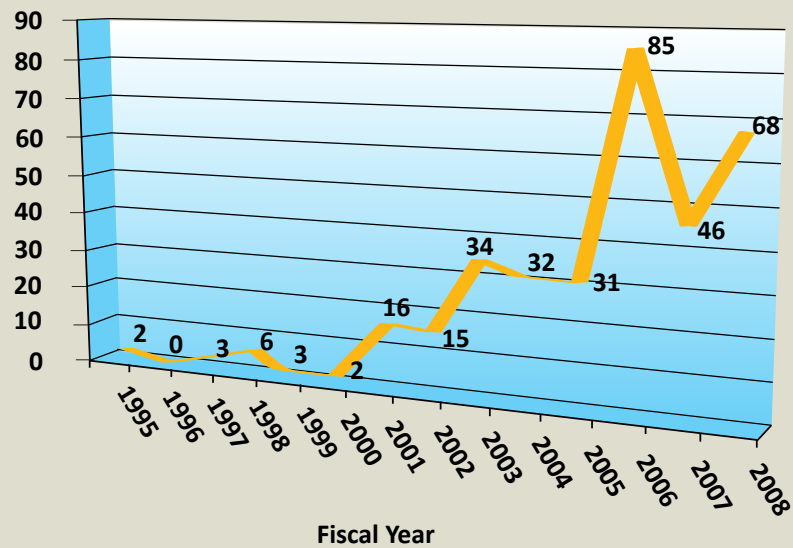
**Table 4: “Number and Value of Outsourced Projects by Agency”**

Agency	Outsourced Projects	Total Fiscal Year Contract Amount	Total Cumulative Year Term Amount
AHCA	2	\$8,800,000	\$92,534,374.00
APD	15	\$10,582,023.76	\$20,863,361.47
AWI	7	\$10,735,668.00	\$33,188,484.00
DBPR	9	\$11,423,589.00	\$18,458,067.00
DCF	35	\$839,223,802.00	\$2,988,542,369.13
DEA	332	\$1,199,407,363.10	\$1,215,652,188.55
DEP	5	\$16,611,903.00	\$63,219,554.85
DHSMV	6	\$1,021,500.00	\$3,983,000.00
DJJ	71	\$208,787,730.96	\$1,084,432,118.82
DFS <sup>6</sup>	2	Not Applicable	Not Applicable
DMA	6	\$17,774,878.00	\$78,013,956.95
DMS	17	\$216,470,769.26	\$1,132,732,107.89
DOC	26	\$240,677,522.96	\$1,198,170,951.75
DOE	5	\$2,776,942.52	\$7,081,735.80
DOH	1	\$1,400,000.00	\$6,400,000.00
DOS	2	\$2,475,000.00	\$13,675,000.00
FDVA	2	\$16,066,243.44	\$44,923,737.55
FWCC	6	\$3,329,538.24	\$11,852,320.24
<b>Totals</b>	<b>551</b>	<b>\$2,807,564,474.24</b>	<b>\$8,013,723,328.00</b>

## Increase in Number of Outsourced Projects

Since 2001, there has been an increase in the number of outsourced projects initiated by state agencies, as shown below in Table 5, “Number of Outsourced Projects by FY.” Prior to 2001, agencies reported a total of 16 outsourced projects. From 2001 to 2006, the annual average of outsourced projects increased to 37 projects. During the last three years, outsourcing grew to more than 66 reported projects per year. The majority of these projects are qualified as re-solicitations of current activities.

**Table 5: “Number of Outsourced Projects by FY”**

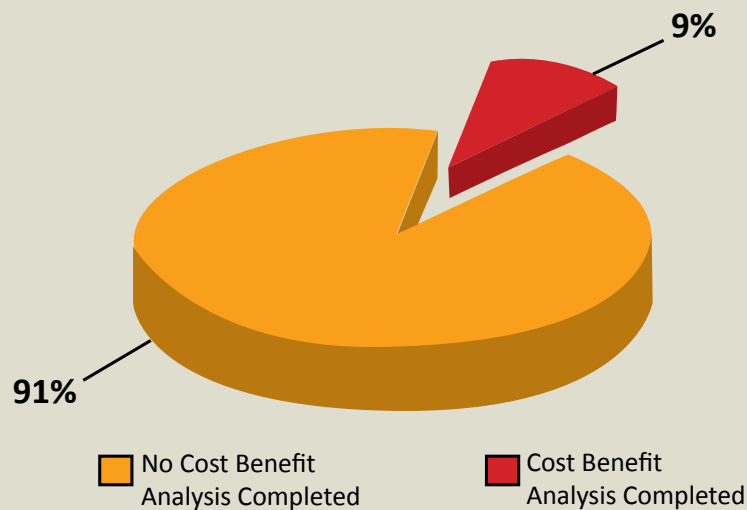


## Cost-Benefit Analysis

Cost-benefit analysis includes an evaluation of the costs versus the benefits associated with a project. A robust cost-benefit analysis compares the initial and on-going project investment to the expected quantitative and qualitative benefits gained from the project.

During FY 2007-2008, as indicated below in Table 6: “Has a Cost-Benefit Analysis been Completed?” agencies reported on 198 business cases as to whether or not cost-benefit analysis data had been completed prior to project solicitation. Of these, 180, or 91 percent, did not have cost-benefit analysis data, and 18, or 9 percent, contained cost-benefit analysis data.

**Table 6: “Has a Cost-Benefit Analysis been Completed?”**

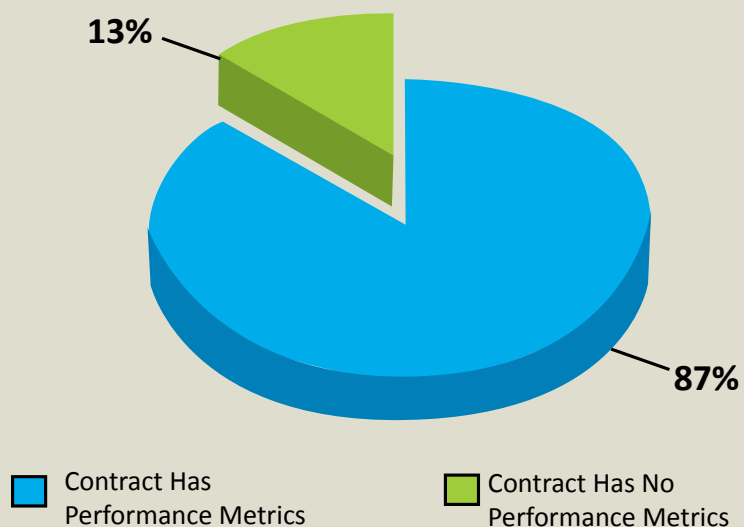


## Performance Metrics

Measurement against performance metrics is essential to ensure program requirements and service level agreements (SLAs) are met. In FY 2007-2008, as indicated below in Table 7: “Does the Procurement Document Include Performance Metrics?” agencies reported 34, or 13 percent, of outsourced projects had neither performance metrics nor SLAs.

The FY 2007-2008 numbers, however, represent a 5 percent increase in the number of outsourced projects that included performance metrics. This presents an opportunity for agencies to include performance metrics for both new and re-solicitation outsource projects. Also, agencies indicated that 97 percent of the providers whose contracts include performance metrics currently meet requirements.

**Table 7:** “Does the Procurement Document Include Performance Metrics?”



## Outsourced Projects and Impact to State Employees

### Workforce Transition

The majority of outsourced projects represent work formerly completed by state employees. As Florida pursued such initiatives, it implemented policies and procedures focused on minimizing possible negative workforce impacts. The Council, in conjunction with the Agency for Workforce Innovation (AWI), developed an “Employee Transition Guide” to assist state human resource officials in creating workforce transition plans.

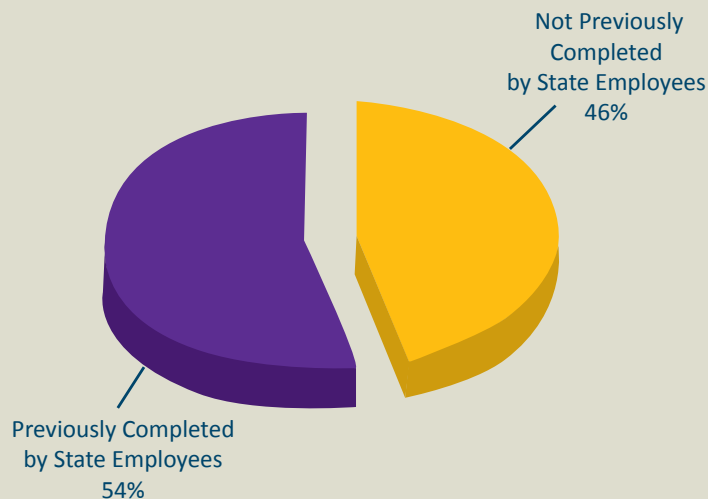
In FY 2007-2008, agencies identified 198 outsourced projects that included information on projects previously completed by state employees. To date, there are 91 (or 46 percent) outsourced projects contracted to providers that have no impact on state employment. Conversely, agencies identified 107 (or 54 percent) outsourced projects that impacted state agency employment with four of these considered to be future insource projects. A significant portion of the State of Florida’s current budget is spent on contracted services, many for outsourcing. The majority of outsourced projects represent work formerly completed by state employees. As Florida pursued such initiatives, it implemented policies and procedures focused on minimizing possible negative workforce impacts.

The Council, in conjunction with the Agency for Workforce Innovation (AWI), developed an “Employee Transition Guide” to assist state human resource officials in creating workforce transition plans to:

- Manage the effects on impacted employees;
- Form workforce transition teams; and
- Provide assistance to employees transitioning into new jobs or careers.

Additionally, the state has been successful in placing affected employees into vacant positions throughout state government. As outsourcing initiatives are put forward, the Council continues to ensure impacted employees have alternative employment opportunities and monitor outsourcing’s impact on state employment. Please see Table 8: “Outsourced Projects and Impact to State Employees” below.

**Table 8: “Outsourced Projects and Impact to State Employees”**



## FY 2008-2009 Opportunities

Based on the data collected for the Council's Annual Report for FY 2007-2008, opportunities for the FY 2008-2009 include:

- Advocating for the continued development and submission of business cases for outsourced projects as required by statute. Advocating through the business case process for agencies to include a cost-benefit analysis and additional financial information, including return on investment, cost price analysis, earned value analysis, and price benchmarking in new as well as re-procurement efforts.
- Educating agency procurement staff during the business case process to ensure performance metrics are included in both new and previously negotiated outsourced projects.
- Evaluating business cases for compliance to statutes and quality of analysis adhering to industry standard business practices and value to the state.
- Developing and enhancing industry standard best practices for agencies as well as codifying lessons learned to improve government accountability and effectiveness.



# Business Case Development and Review



The need to integrate sound business practices into the decision-making process relative to outsourcing is fundamental to achieving success in the efficient delivery of government services. The creation and deployment of a standardized business case development and review process for evaluating outsourcing initiatives is at the core of the Council's mission. This process consists of developing standards, templates and guidelines to ensure transparency in the evaluation of outsourcing initiatives.

The Council strives to communicate business case requirements and fulfill its mission of providing evaluation, education and training for state agencies. To accomplish this, the Council developed a communications and training plan to share key

messages with state agencies. In addition, the Council proactively engaged appropriate state agency personnel in business case requirements training with several key objectives:

- Defining and disseminating industry standard best practices on business case development to state agencies.
- Providing tools and processes to increase staff knowledge of project procurement and execution.
- Deploying a standardized review process so agencies fully understand the Council's approach to business case development and review.
- Presenting agencies with valuable feedback on the relative strengths and weaknesses of business case submissions.

## Business Case Development

In November 2007, Council staff held a business case workshop to obtain state agency feedback and recommendations on the business case development and review process. Contract/procurement directors and other key stakeholders were targeted from the eight state agencies responsible for the majority of outsourced projects (per the Council's Annual Report for FY 2006-2007). A review of statutory requirements, Council expectations, business case development tools, and business case review processes were presented. The Council incorporated the feedback and lessons learned from this workshop into the Council's business case development instructions and review process, including training materials.

In addition, Council staff held individual training and consultation meetings with state agency procurement staff to improve the awareness and need for business case submissions. During the past year, the Council provided business case development training and technical assistance to 130 agency staff. As a result of these activities, there has been an increase in the level of participation by state agencies and an improvement in the quality of business cases submitted for review.

## Business Case Review

During FY 2006-2007, Council staff reviewed 27 business cases with a value of \$62 million. As indicated below in Table 9, “Total Business Cases Reviewed FY 2007-2008 with Value and Projected Savings,” the Council reviewed 21 business cases with a value of \$94 million. The Council identified projected cost savings of more than \$29 million through the review of cost-benefit analysis data in agency outsourced business cases.



**Table 9: “Total Business Cases Reviewed FY 2007-2008 with Value and Projected Savings”**

Agency	Total Projects	Total Amount	Projected Savings
Department of Juvenile Justice	17	\$76,640,698.85	\$17,560,484.00
Agency for Health Care Administration	1	\$8,400,000.00	\$1,879,553.00
Department of Health	1	\$6,442,633.00	\$9,700,000.00
Department of Business and Professional Regulation	1	\$1,600,000.00	\$150,000.00
Department of Management Services	1	\$1,608,630.00	\$240,000.00
<b>Totals</b>	<b>21</b>	<b>\$94,691,961.85</b>	<b>\$29,530,037.00</b>

# Innovative Methods for Delivering Services

## Introduction



A key element in the Council's work is the discussion of innovative methods of delivering government services to improve efficiency and effectiveness. The need for this is enhanced by the current and potentially ongoing tight budgetary environment. With reduced revenues, state agencies must juggle delivering current service levels with service improvement, all with a reduced budget. Forward looking revenue projections do not show an improvement in this situation for the near future. The state needs to seek efficiencies

and innovative ways to continue the delivery of services as well as find new ways to meet the needs of its citizenry. These new ways of doing business must focus on sustainability of current resources as well as making investments in future operations.

The following is a discussion of two initiatives that give the state the ability to continue current service delivery levels while increasing the ability to make future improvements: expanding "green" initiatives and the execution of employee incentive programs. While these trends certainly have value when deployed independently of each other, when executed as part of a broad set of initiatives, they create a congruent set of supportive activities that serve to enhance government efficiency, productivity, cost savings and initiative.

## Going Green

A powerful theme of environmental awareness has recently catapulted squarely into the midst of our social and political environments. "Going Green" in the public and private sectors means promoting environmentally-friendly delivery of services while retaining, if not improving, the same level of effectiveness and efficiency despite the severity of the current economic downturn. The going green movement also encompasses personal awareness and innovative technologies to promote environmental sustainability.

Incorporating these concepts into government requires a shift from short-term to long-term focus to sustain societal needs. Going green is not a fleeting trend; “...environmental activism now seems deeply rooted in the American psyche.”<sup>7</sup> Younger generations particularly, are now invested in green thinking, making the adoption of green policies by government increasingly important in attracting young professionals to the public sector.

The concept of going green differs in impact and meaning from state to state. When compared on metrics such as carbon footprint, air quality, water quality, hazardous waste management, policy initiatives and energy consumption, Florida ranked 20<sup>th</sup> in *Forbes’ Ranking of the Greenest States*.<sup>8</sup>

Despite this mediocre ranking, the State of Florida introduced several programs to incite its citizens to “get on the green bandwagon.” Residents and organizations alike may participate in a number of tax and rebate incentive programs offered to promote renewable energy use. For example, the “Green Lodging Program” recognizes the efforts of lodging facilities to protect Florida’s unique environment.<sup>9</sup> The State of Florida is home to miles of shoreline, wetlands, rivers, lakes and marshes, in addition to inland ecosystems, all distinct to the state.<sup>10</sup> There is also ongoing Floridian support from the Environmental Protection Agency’s initiatives, including green building, green cleaning, green engineering and green yards.

Florida green themes have also been incorporated into public transit systems. Environmentally-friendly buses and the promotion of ride-sharing are relatively simple ways to increase green awareness in transportation.

Reducing energy usage and greening translate into direct bottom-line savings for consumers and the state alike. In addition, green trending in Florida is legislatively mandated by Senate Bill 7135 and Executive Order 07-126. Further, on July 13, 2007, Governor Charlie Crist signed a suite of executive orders to reduce Florida’s greenhouse gas emissions, increase energy efficiency and remove market barriers for renewable energy technologies.

This legislation will, among other requirements, strengthen green building codes and energy efficiency standards for appliances.



7 Arrandale, T. (1992, February). Governing Guide: Making Clean Make Sense. *Governing Magazine*.  
8 Wingfield, B., & Marcus, M. (2007, October 17). *Forbes.com America's Greenest States*. Retrieved July 18, 2008, from [http://www.forbes.com/2007/10/16/environment-energy-vermont-biz-beltway-cx\\_bw\\_mm\\_1017greenstates.html](http://www.forbes.com/2007/10/16/environment-energy-vermont-biz-beltway-cx_bw_mm_1017greenstates.html)  
9 Florida DEP Pollution Prevention. (2008, May 8). Retrieved July 18, 2008, from <http://www.dep.state.fl.us/pollutionprevention/initiatives.htm>  
10 (2008, April 21). Retrieved July 18, 2008, from [http://www.dep.state.fl.us/secretary/ed/publications/pubs\\_list.htm](http://www.dep.state.fl.us/secretary/ed/publications/pubs_list.htm)

## Japan Leads World in Green Trending

Japan is recognized as the world leader in greening practices and initiatives. Since 1999, Tokyo has extended \$6.8 billion in loans for environmental projects in China. Tokyo has recently pledged \$10 billion to help the developing world reduce greenhouse gas emissions. Since the 1990s, Japan has sponsored 18 “model projects” in China involving the installation of the latest Japanese emission-reducing and energy-savings systems.<sup>13</sup>

Some of the greenest cities in the nation have been very creative in reducing their impact on the environment, and can provide benchmarks for implementing additional green initiatives in Florida. For example, Chicago, Illinois, set up a facility that simultaneously produces electricity and heat that is twice as efficient as traditional methods. San Francisco, California, adapted a solar approach to gain significant impacts in pollution output. Further, Oakland, California, developed a hydrogen-powered bus fleet that emits only water vapor.

Going green has affected international policies as well. China “increased its environmental awareness with regulatory, competitive, and marketing pressures” that encourage green supply chain management in major manufacturing companies.<sup>11</sup>

Green supply chain management incorporates procurement methods that favor environmentally conscious goods and services. Last year, however, China overtook the U.S. as the world’s number one producer of greenhouse gasses. The European Union proposed a “Renewables Directive” to hold member states accountable for investing in and incorporating renewable energy sources into their energy consumption by 2020.<sup>12</sup>

But there is a downside to international greening. At the July 2008 G-8 Summit in Toyako, Japan, President Bush vetoed the green initiatives recommended by White House environmental experts. Further, while all nations present (the leaders of the G-8 industrialized countries are Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the U.S.) agreed to a resolution to reduce greenhouse gas emissions by 10 percent by the year 2050, no direction was offered to help countries reach this objective.

Japan is recognized as the world leader in greening practices and initiatives. Since 1999, Tokyo has extended \$6.8 billion in loans for environmental projects in China. Tokyo has recently pledged \$10 billion to help the developing world reduce greenhouse gas emissions. Since the 1990s, Japan has sponsored 18 “model projects” in China involving the installation of the latest Japanese emission-reducing and energy-savings systems.<sup>13</sup>

Although many of the various greening programs discussed herein require large initial investment, these costs should be balanced by the potential for increased sustainability and return on investment. It is important to view going green as a long-term investment towards responsible and efficient resource sustainability.

11 Zhu, Q., Sarkis, J., & Geng, Y. (2005). Green supply chain management in China: pressures, practices and performance. *International Journal of Operations & Production Management*, 25, 449-468.

12 Toke, D. (2008). The EU Renewables Directive—What is the fuss about trading? *Energy Policy*, 36, 2991-2998.

13 Schuman, M. The Green Connection. *Time*. Retrieved July 18, 2008, from [http://www.time.com/time/specials/packages/article/0,28804,1819678\\_1819686\\_1819687,00.html](http://www.time.com/time/specials/packages/article/0,28804,1819678_1819686_1819687,00.html)

Producing innovative technologies on a larger scale will decrease costs and increase feasibility for implementation. As the Transit Director of Oakland, California relates, "Ultimately, this becomes a public policy issue."<sup>14</sup> Significant green impact will result only with government initiative and support.

In order to develop and distribute green technologies in Florida, large-scale support and endorsement is needed from the government, the private sector and consumers. Given this commitment, Florida can then further embrace green innovative technologies to foster responsible use and protection of its unique environment.

Lacking this commitment, citizens may well become victim to the dire prediction of American ecologist Garrett Hardin, who in 1968, in the journal *Sciences*, wrote: "In a crowded world of less-than-perfect humans, mutual ruin is inevitable if there are no controls." No one at the Kyoto or G-8 Summits said Hardin's warning is inevitable. Avoiding a planet-wide environmental meltdown, however, will require an unprecedented level of international cooperation and sacrifice.<sup>15</sup>

Today, people are realizing that wind power "is one of the most promising new energy sources" that can serve as an alternative to fossil fuel-generated electricity. Using today's technology, wind energy can provide 20 percent of America's electricity (or about the amount nuclear power provides) with turbines installed on less than 1 percent of its land area.

Windmills may have been around for almost 1,500 years, but it was not imagined that wind power would become affordable enough to compete with fossil fuels. In fact, many utility services around the world offer wind-generated electricity at a premium of two to three cents per kilowatt hour. If a household used wind power for 25 percent of its needs, it would spend only \$4 or \$5 per month for it, and the price continues to drop.

Wind power is now the world's fastest growing energy source and has also become one of the most rapidly expanding industries, with sales of roughly \$2 billion in 1998. Major offshoring development will be the next major step for this technology, resulting in a dramatic increase in decentralized electricity generation. Offshore wind has the potential to deliver substantial quantities of energy at a price that is cheaper than most of the other renewable energies, as wind speeds are generally higher offshore than on land.



14 Mika, E., & Berhie, S. (2008, February 8). *Popular Science America's 50 Greenest Cities*. Retrieved July 18, 2008, from <http://www.popsoci.com/environment/article/2008-02/americas-50-greenest-cities?page=1>

15 Masters, C. Environment: What Now? *Time*. Retrieved July 18, 2008, from [http://www.time.com/time/specials/packages/article/0,28804,1819678\\_1819686\\_1819688,00.html](http://www.time.com/time/specials/packages/article/0,28804,1819678_1819686_1819688,00.html)

## Employee Incentive Programs (EIP)



EIPs are an innovative way to increase efficiency and effectiveness in the workplace. EIPs are extremely popular in the private sector due to increased cost savings, and are now increasing in popularity in the government arena. EIPs incorporate employee influence and involvement in decision making to improve efficiency. Employees and employers alike realize the benefits of EIPs.

“One method of achieving a more efficient and effective state government is to encourage the involvement of state employees in the development of innovative ideas that will increase the productivity and service of state government while decreasing the costs of state government.”<sup>16</sup> EIPs that reward state employees for innovations by allowing the employees to share the cost savings, encourage employee involvement making state government more efficient and effective.

Today, employees are looking for active participation in the workplace and want fulfillment as well as responsibility. Innovations such as a suggestion program offer employees a chance to make a difference in their workplace. Employee suggestions tend to be high quality, insightful and allow organizations to tap into their best resource, employees.<sup>17</sup> Suggestion programs capitalize on employee knowledge and expertise by providing not only a vehicle to express those innovative ideas, but an incentive. While compensation, eligibility and procedures differ among programs, eligible suggestions usually include ideas that improve:

- Cost savings,
- Safety,
- Efficiency,
- Productivity,
- Conditions,
- Services,
- Energy resources and
- Employee morale.



<sup>16</sup> House Bill 04-1020 Chapter 19, State of Colorado, [http://www.state.co.us/gov\\_dir/leg\\_dir/olls/sl2004a/sl\\_91.htm](http://www.state.co.us/gov_dir/leg_dir/olls/sl2004a/sl_91.htm)

<sup>17</sup> Freda Turner, “Employee Suggestion Programs Save Money,” Chart Your Course International, Accelerating Workplace Performance, <http://www.eianet.org/about>

The procedure for application submission includes the completion of a specific form, and often, a committee review. A common structure of the incentive program is to reward the employee with a percentage of the savings.

Benchmarking data is abundant. For example, in the State of North Carolina, monetary awards are calculated as 20 percent of annual savings for the first year of implementation, up to \$20,000 per person or \$100,000 per group.<sup>18</sup>



The State of Washington developed an incentive program where the agency savings are redistributed to the agency and public schools. Agencies are rewarded by retaining, “...half of their unspent general revenue funds, except funds related to caseloads in entitlement programs or enrollment in higher education institutions.”<sup>19</sup> The savings that are returned to agencies can be used for any one-time expenditure (not a new service) that will improve efficiency and effectiveness within the agency. Some examples of savings are staffing, customer service, child welfare training, upgraded fire protection in computer rooms, and an informational pamphlet for voters on state primary candidates. These savings can be rolled over into the following year. Public schools benefit through the other half of the general revenue savings by redirecting savings towards building new schools, improving technology in schools, and higher education.

In 2001, the Florida Legislature passed Chapter 110.1245, *Florida Statutes*, granting DMS rule-making authority over a “Savings Sharing Program.” These laws allow agencies to retain savings gained through the implementation of programs that promote internal efficiencies, and then share those savings with the employees involved. The program targets individuals or groups in all statewide agencies. Proposals for the “Savings Sharing Program” must be detail-oriented, include a cost-benefit analysis, and focus on the following elements:

- Increasing productivity,
- Improving operations,
- Generating additional revenue,
- Reducing/eliminating state expenditures and
- Reducing/eliminating workforce.<sup>20</sup>

18 “State Employee Incentive Bonus Program,” Human Resources, UNC Chapel Hill, <http://hr.unc.edu/Data/benefits/recognition/seibp>

19 “Create Budget Incentives for State Agencies,” Limited Government, Unlimited Opportunity, E-Texas GG 17, <http://www.window.state.tx.us/etexas2003/gg17.html>

20 “Savings Sharing Program, Section 110.1245(1)(d), Florida Statutes,” Department of Management Services; FY 06/07 Annual Workforce Report, [http://dms.myflorida.com/human\\_resource\\_support/human\\_resource\\_management/for\\_state\\_hr\\_practitioners/reports](http://dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports)

In response to a State of Florida survey to determine the level of participation in the EIP program, it was discovered that although 30 agencies were eligible, only four agencies participated. The highest level of participation occurred during the first year of the program, and fluctuated over the remaining years. Participation included implemented suggestions; suggestions not implemented; elimination of positions; and any certificates or other non-monetary recognition reported in the survey. Agency participation since the program’s inception in 2001 is detailed below in Table 10, “Noteworthy Employee Incentive Program Accomplishments by Agency.”

**Table 10: “Noteworthy Employee Incentive Program Accomplishments By Agency”**

Agency	Noteworthy Accomplishments
Department of Elder Affairs (DEA)	DEA saved a total of \$260,492 through the implementation of three employee proposals. Ten employees were recognized and received Davis Productivity Awards.
Department of Insurance (DOI) (now DFS)	Through the elimination of positions, the DOI (now Department of Financial Services-DFS) saved a total of \$1,265,110, of which \$89,168 was awarded to 46 employees.
Department of Military Affairs (DMA)	DMA implemented an employee proposal to save the agency \$84,000 a month; \$738,000 of the cost savings stayed within the agency and \$500 was divided among three employees.
Department of Management Services (DMS)	DMS saved a total of \$272,473 through the elimination of salaries and benefits; 16 employees were awarded a total of \$26,524. Through the elimination of positions, DMS saved a total of \$1,378,684, of which \$169,296 was awarded to 99 employees.

EIPs established in other states prove that given the correct set of incentives and support throughout the organization, incentive programs do work. The largest issue with Florida’s “Savings Sharing Program” is the lack of promotion. It is not only critical that agencies and senior management be aware of the program, but employees must also be informed. Employees often know best where adjustments and improvements can be made to cut costs and improve processes. While there have been successes within the State of Florida’s “Savings Sharing Program,” it has not yet met its potential. The current budget crunch, coupled with the severity of the economic downturn, both call for creative ways to maximize the use of limited resource pools. The EIP program provides the opportunity to do so, without participating in a lengthy legislative process.

# Special Initiatives

## Project Management Professional® Program

The Project Management Professional (PMP) training program was established in June 2006 by DMS, Division of State Purchasing. Chapter 287.057(17)(b), *Florida Statutes*, states, “If the value of a contract is in excess of \$10 million in any FY, at least one of the persons conducting negotiations must be a PMP, as certified by the Project Management Institute (PMI).” Additionally, Chapter 287.076, *Florida Statutes*, states, “DMS may implement a program to train state agency employees who are involved in managing outsourcings to become PMPs, as certified by the PMI.”



The PMP certification exam is administered by the PMI, a global organization with a 37-year history of advocacy for the profession. The PMI awards certified PMP practitioners with project management credentials that objectively assess experience, education, capabilities and knowledge.

The DMS Division of State Purchasing offers two classes for project management training:

- Three-day PMP training class offered by Velocitech Project Management; and,
- Five-day PMP training class offered by ESI International/George Washington University.

The three-day course includes 15 hours of online interactive training in an accelerated learning “boot camp” environment. The five-day course is conducted in a slower-paced classroom environment. Agencies may select the training environment that best meets the needs and learning requirements of their employees.

Participants for the state’s PMP program are selected by their individual agency’s chief of staff, or their designee. To attain a PMP credential, an employee must satisfy the educational and professional experience requirements established by the PMI and demonstrate the ability to apply project management understanding and knowledge to technical, situational and scenario-based questions during the certification examination. To date, 138 state employees have been certified as PMPs through this program.

## Florida Certified Contract Negotiator (FCCN) Program

The FCCN training program was established in June 2006 by DMS, Division of State Purchasing. Chapter 287.057(17)(b), *Florida Statutes* states, "When the value of a contract is in excess of \$1 million in any fiscal year, at least one of the persons conducting negotiations must be certified as a contract negotiator. This requirement is based upon rules adopted by DMS to ensure certified contract negotiators are skilled in effective negotiation strategies, are capable of successfully implementing those strategies, and appropriately involved in the procurement process.

The Division of State Purchasing's training curriculum for the FCCN certification includes three training classes:

- "Sourcing in the Public Sector," offered by the National Institute for Governmental Purchasing (NIGP);
- "Negotiation Strategies and Techniques," offered by ESI International/George Washington University; and,
- "Negotiation in Florida," offered by DMS state staff.

The FCCN candidates must complete all three courses and meet specific certification prerequisites to be eligible for certification. This certification is a "self-paced" learning track. To date, 158 state employees have received the FCCN certification and are involved in procurement activities for the state.

During the FY 2007-2008, the DMS Division of State Purchasing was allotted \$296,466 of the \$500,000 funding for the PMP and FCCN training programs. For the FY 2008-2009, funding for these two certification programs was reduced to \$250,000.

## Special Report to the Governor on MyFloridaMarketPlace (MFMP), People First, and Project Aspire

On February 21, 2007, Governor Crist tasked the newly-seated Council with conducting reviews of three large state projects: MyFloridaMarketPlace (MFMP), People First, and Project Aspire. The cumulative cost of all three projects is over \$553 million and covers a nine-year period.

The objectives of this report were to:

- Review the status of the projects;
- Identify key findings;
- Identify key lessons learned; and,
- Make recommendations for improvements to future project planning and execution.

In 2000, the state began an effort to upgrade and modernize its core operational software and information technology infrastructure for accounting, cash management, procurement and human resource applications. Prior to this effort the state systems ran on five separate software platforms. A state report produced by KPMG in 2000 provided high-level guidance and direction. In late 2000, several initiatives addressed the upgrade plan. These initiatives evolved into MFMP for purchasing, People First for human resources, and Project Aspire for accounting and finance.

The content of this report was published by the Council in January 2008 and is available on the Council Web site:

[http://dms.myflorida.com/other\\_programs/council\\_on\\_efficient\\_government/reports/report\\_to\\_the\\_governor](http://dms.myflorida.com/other_programs/council_on_efficient_government/reports/report_to_the_governor)

## Lessons Learned

By analyzing the key findings of the research from the MFMP, People First, and Project Aspire projects, the Council hoped to provide insight about improving the overall execution of state projects. This insight, or lessons learned, would be applied to projects of all sizes, and is fundamental to effective and efficient project execution.

After reviewing the research, several commonalities emerged:

1. Identify a sponsor or champion to build consensus, get buy-in and advocate for the project during its entire lifecycle. Sponsors should have the authority to resolve disputes and ensure cooperation.
2. Develop a project plan that includes a realistic and achievable project schedule to define the scope of work, allocate resources, and manage workflow. Determine baseline data at the beginning of the project to measure performance metrics and keep the project on task. Planning involves design, negotiation and contract implementation.
3. Develop recurring funding for these types of multi-year projects. Contracts for these projects require a steady funding stream.
4. Obtain stakeholder buy-in early in the process. Stakeholders offer their insight during development and implementation stages in order to forecast issues and understand changes as they occur. Stakeholders include system designers, users, agency or department heads, state employees and citizens.
5. Clearly communicate changes to business processes so users adapt and readily accept the benefits and improved efficiencies of the new system. Invest in supportive stakeholders to ensure compromises for the greater good of project success.
6. Ensure high-level project management. The project manager must report accurate project data, and manage and resolve conflicts while keeping the project on schedule and within budget.
7. Design, negotiate and implement a fair contract using a realistic and well-defined SLA with the provider.
8. Insulate the project from administrative changes in leadership or goals.

# FY 2007-2008 Accomplishments



## **Developed industry standard practices for agency development of business cases.**

*The creation and deployment of a standardized business case development process for evaluating outsourcing initiatives is at the core of the Council's efforts. This process consisted of developing standards, templates, guidelines and a transparent method of evaluating outsourcing initiatives. Staff developed standards by which the Council evaluates outsourcing projects. The guidelines set forth were developed to promote fair and transparent industry practices in government in order to foster accountability, competition, efficiency and innovation in the way state agencies deliver services to Florida's citizens. These guidelines are applicable to any contracted services project, regardless of size, scope or cost.*



## **Developed a standardized process for reviewing business cases.**

*The Council developed a standard process that provides an examination of state agency proposals to outsource. Business cases are independently evaluated to provide a thorough and objective review of each component of the business case. The Council's mission is to provide additional oversight and accountability to ensure that the expected savings and results from outsourcing can be achieved.*



## **Incorporated lessons learned from outsourcing initiatives into Council standards, procedures and guidelines.**

*By analyzing and incorporating into our process the key findings of the research from the Report to the governor on MyFloridaMarketPlace, People First, and Project Aspire projects, the Council hopes to provide insight about improving the overall execution of state projects. This insight, or lessons learned, can be applied to projects of all sizes, and are fundamental to effective and efficient project execution.*



## **Reviewed 21 business cases with a cumulative project value of over \$94 million, with a projected cost savings to the state of \$29 million.**

*Since January 2007, 21 business cases have been reviewed, with a cumulative value in excess of \$94 million. Individual project value has ranged from \$787,699 to \$8.4 million. All projects submitted to date fell below the \$10 million threshold, the amount that statutorily specifies full Council review. Potential cost savings to the state was \$29 million.*



## **Developed a report to the governor on MyFloridaMarketPlace (MFMP), People First, and Project Aspire.**

*In February 2007, the Council was tasked with conducting project reviews of MFMP, People First and Project Aspire. The effort involved assessing the current state of each program, extracting lessons learned, and integrating that knowledge into future projects, Council standards, procedures and guidelines. This report was completed and submitted to the governor, the President of the Senate, and the Speaker of the House in January 2008.*

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