

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 344

SPONSOR: Governmental Oversight & Productivity Committee

SUBJECT: Consolidation of Administrative Services

DATE: January 12, 1999

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Lombardi</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
2.	_____	_____	<u>FP</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee bill provides legal authorization for consolidation of administrative services functions when a cost savings benefit results. This bill is an outgrowth of a study undertaken by the Office of Program Policy Analysis and Governmental Accountability of administrative services functions in the Department of Health (DOH) and the Department of Children and Families (DCF) at the regional level. As stipulated by proviso language in the General Appropriations Act, the consolidation of administrative services will only be permitted after a consolidation plan has been submitted to the Legislature on or before October 1, 1999.

This committee bill substantially amends sections 20.057, 216.031, and 216.163, Florida Statutes.

II. Present Situation:

Prior to 1991, the Department of Health and Rehabilitative Services (DHRS) administered the majority of Florida's health and human service programs. As the single largest employer of state workers, DHRS administered a broad range of programs including the state's Medicaid program; alcohol, drug abuse and mental health programs; public health services; child protective investigations; services to families and elders; public assistance; and juvenile justice.

In 1991, the Legislature altered many organizational responsibilities of the DHRS transferring the majority of its programs to four newly created agencies: the Departments of Elder Affairs, Juvenile Justice, Health, and the Agency for Health Care Administration. The Legislature believed that by creating four new agencies having program management expertise within specific program areas, it might more effectively increase the provision of existing program services. Finally, in 1997, the realigned DHRS was renamed DCF.

At the time of creation, each new agency established an infrastructure to accomplish its mission as a separate governmental entity. Various administrative services were embedded within each agency to support finance and accounting functions, personnel functions, management information, and purchasing functions. In fiscal year 1996-97, Florida's health and human services agencies reported spending \$277 million for these administrative services. The financial data showed that the majority (75%) of the fiscal dollars were actually used for management information system services and administrative support services.

At the direction of the Joint Legislative Auditing Committee, the Office of Program Policy Analysis and Government Accountability (OPPAGA) examined the administrative services functions of AHCA and DCF, Elder Affairs, Juvenile Justice, and DOH. The main objective of the study was to determine if there might be an opportunity to consolidate the delivery of administrative services among agencies. The study concluded that the divestiture of programs from the former DHRS to the four new agencies resulted in improved delivery of administrative services without large increases in staff. Likewise, both DOH and DCF could benefit financially and operationally through further consolidation of administrative service functions.

The OPPAGA reported investigating four options for reducing costs and staffing within the five health and human services agencies:

- * further consolidating administrative services within agencies;
- * merging administrative services for all health and human services agencies within a single agency;
- * re-engineering administrative services; and
- * privatizing administrative services.

The OPPAGA report concluded consolidating DCF's and DOH's administrative services within their agencies to be the most viable option as it permitted continued improvements regarding agency separation and decentralized delivery of services with less operational disruption. Selection of this option will produce further FTE reductions and cost savings as administrative overhead is concentrated and reduced. Program implementation was expected to yield a \$460,000 cost avoidance annually.

III. Effect of Proposed Changes:

This committee bill will permit interagency consolidation of administrative services functions when a cost savings benefit results. When directed by proviso language in the General Appropriations Act, or Implementing Bill, the DOH and DCF will be required to submit a consolidation plan to the Legislature by October 1, 1999. The plan will include: the identification of specific administrative services that can be delivered through regional administrative service centers and consortia; implementation schedules; and best estimates for cost savings.

Additionally, the proviso language required the five health and human services agencies to establish baseline information regarding the current cost of providing administrative services and adopt performance measures to assess their effectiveness and efficiency.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

General law must address operational consolidations addressed by proviso language in the General Appropriations Act and the Implementing Bill. This issue was previously addressed in 1996 by the Florida Supreme Court, which ruled in *Chiles vs. Milligan*, 682 So.2d 74 (Fla. 1996), that “an appropriations bill cannot amend an existing statute on a subject matter other than appropriation.” Chapter 20, F.S., recognizes the existence of separate administrative services units as distinct embedded features of state agency organization. The bill provides substantive authority for the subsequent discretionary budget decisions which may collapse some of these structures even if relevant parts of chapter 20, F.S., are not simultaneously amended.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

A consortium is a group of two or more county health departments uniting to improve efficiency and the cost-effective delivery of administrative services. The lead county is reimbursed a pro-rata share of the costs for performing these services for other participating counties. Consortia can be an effective means for reducing costs. The Northeast Florida Administrative Consortium, consisting of the six participating county health departments, reported saving the state \$460,000 for fiscal year 1997-98 through the consolidation of administrative services. The consortium anticipates another \$600,000 cost avoidance for fiscal year 1998-99.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
