Commission to Study the Management of State Government

Final Report

January 1991
January 18, 1991

Governor Lowell P. Weicker, Jr.
President Pro Tempore John B. Larson
Speaker of the House Richard J. Balducci
Senate Majority Leader Cornelius O'Leary
Senate Minority Leader M. Adela Eads
House Majority Leader Robert F. Frankel
House Minority Leader Edward C. Krawiecki, Jr.
Members of the General Assembly
State Capitol
Hartford, Connecticut 06106

Dear Governor Weicker and Members of the Legislature:

The members of the Commission to Study the Management of State Government, in compliance with Special Act 89-40, are pleased to present this report to you.

The legislation specified that "the purpose of the study shall be to develop recommendations for improved delivery and efficiency of state services, increased state revenues and reduction of state expenditures."

To carry out this assignment, the Commission undertook 18 separate studies. Key findings and recommendations from each study are included in this report.

The 18 studies cover 90 percent of the state's General Fund budget and employees. The Commission recommends that the 1991 General Assembly authorize a study of the areas not covered in this report.

It should be noted that strong support has been received throughout this work from the leaders, committees and members of the General Assembly. We also have received valuable guidance and assistance from the Administration, the commissioners and people in state agencies, the members of the various oversight committees, the business community and concerned citizens.
Special thanks are due the members of the Commission for the time and effort they devoted to this task. The diversity of their responsibilities and viewpoints -- legislators, business people, civic leaders, a labor representative, educators, state officials -- enriched our discussions of complex issues. They have served their state well.

We feel this report can be a useful tool as the Government and the people of Connecticut chart a course that will carry them through the balance of this decade and into the Twenty-First Century.

Very truly yours,

DeRoy C. Thomas
Chairman

DCT/ddb

cc: Governor William A. O'Neill
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COMMISSION MEMBERS

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ACKNOWLEDGEMENTS

The Commission operated with limited funds and within a tight time frame. It could not have completed its challenging task in the allotted time without the assistance and enthusiastic support of many individuals, the Connecticut business community, State employees and their agencies, and members of the General Assembly.

The contributions of the following should be singled out for special mention:

Aetna Life and Casualty Co. ($15,000 grant)
ITT Hartford Insurance Group ($15,000 grant)
The Travelers Corporation ($8,500 grant)
Citizens Committee for Effective Government (CCEG)
Connecticut Business & Industry Association (CBIA)
Connecticut Public Expenditure Council (CPEC)
Greater Hartford Chamber of Commerce
Southwestern Area Commerce & Industry Association (SACIA)

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Leo V. Donahue and Henry J. Becker, Jr.
State Department of Public Works
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State Office of Policy and Management
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Carolyn S. West, Planning Analyst Supervisor
Legislative Commissioners Office
Legislative Office of Fiscal Analysis
Legislative Program Review and Investigations Committee
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Carrie E. Vibert, Senior Attorney
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Susan A. Carlson, Senior Clerk, Department of Administrative Services
Roland W. Comstock, Senior Vice President, United Illuminating Co.
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The Travelers Corporation
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Wheeler Smith, Executive Director, Citizens Committee for Effective Government
Nancy Van Doren, Director National and Community Affairs, The Travelers Corporation
Michael W. Walsh, Manager Treasury Operations, Cadbury Beverages, Inc.
Michael S. Wilder, Senior Vice President, General Counsel and Secretary,
ITT Hartford Insurance Group
Lionel N. Zimmer, Assistant to the Chairman, Champion International Corporation
ACKNOWLEDGEMENTS (continued)

In addition, the Commission would like to recognize the work of the consulting firms that performed the individual agency studies. They are:

Acc-Q-Tech
Canby Associates
Coopers and Lybrand
Criminal Justice Institute
Deloitte & Touche
Ernst & Young
KPMG Peat Marwick
MAXIMUS, Inc.
MGT of America, Inc.
National Center for State Courts
Price Waterhouse
Spangenberg Group

A special thank you is extended to MAXIMUS, Inc., which assisted the Commission with the preparation of this final report.
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<th>Description</th>
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<td>BGHE</td>
<td>Board of Governors for Higher Education</td>
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<td>BP</td>
<td>Bureau of Purchases</td>
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<td>CADAC</td>
<td>Connecticut Alcohol and Drug Abuse Commission</td>
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<tr>
<td>CHFA</td>
<td>Connecticut Housing Finance Authority</td>
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<td>COO</td>
<td>Chief Operating Officer</td>
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<td>CSE</td>
<td>Child Support Enforcement program</td>
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<td>University of Connecticut</td>
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<td>VTSS</td>
<td>Vocational-Technical School System</td>
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SECTION I: OVERVIEW

Connecticut is facing a major fiscal crisis, but it is a crisis that presents an unmatched opportunity to streamline state government and achieve savings that could total hundreds of millions of dollars. That is the principal finding by the Commission to Study the Management of State Government, which has been at work for 19 months.

Consultants who have conducted studies for this report project potential savings or revenue enhancements of $86 million for the present fiscal year, $578 million for the 1991-92 fiscal year, and cumulative savings of $2.58 billion through Fiscal Year 1994-95 (Exhibit I-1).

In addition, issues affecting multiple departments could produce further savings, also amounting to hundreds of millions of dollars. Those issues have statewide ramifications and cover such areas as data processing, personnel classification, and federal reimbursement.

Budget Jumps From $4.2 Billion to $7.1 Billion

At the heart of the problem is the rapidly escalating growth of state expenses in the last five years at the same time the population has remained relatively stable.

- Grants to towns (aid to education, payments in lieu of taxes, contribution to teachers' retirement, and statutory grants -- 27 percent of the state budget) increased from $1.05 billion to $1.9 billion -- 81 percent.
- Payments to other than local government (Medicaid, welfare, non-profit agencies -- 30 percent of the state budget) increased from $985 million to $2.1 billion -- 113 percent.
- Employee salary and benefits (33 percent of the state budget) increased from $1.5 billion to $2.3 billion -- 53 percent. The number of full-time state employees increased from 47,000 to 52,500 -- 11.7 percent.
- Debt payments (8.2 percent of the state budget) increased from $317 million to $583 million -- 84 percent -- while the total state indebtedness increased from $2.01 billion to $3.27 billion -- 63 percent.
- Authorized bonding increased from $226 million to $1.6 billion -- 608 percent.
- The General Fund and transportation components of the operating budget increased from $4.2 billion to $7.1 billion -- 69 percent.\(^1\)
## Exhibit I-1

### AGENCY STUDY SAVINGS SUMMARY

<table>
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<th>Department</th>
<th>Net Savings Fiscal Year 1991-92</th>
<th>Cumulative Net Savings Fiscal Year 1994-95</th>
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<td>1. Board of Education and Services for the Blind</td>
<td>$468,000</td>
<td>$4,270,000</td>
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<td>2. Bureau of Purchases</td>
<td>$9,452,000</td>
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<td>3. Child Support Enforcement</td>
<td>$25,198,430</td>
<td>$95,123,833</td>
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<td>4. Conn. Alcohol and Drug Abuse Commission</td>
<td>$11,277,400</td>
<td>$51,482,000</td>
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<td>5. County Sheriffs</td>
<td>$2,754,257</td>
<td>$14,957,055</td>
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<td>6. Department of Administrative Services</td>
<td>$111,125,521</td>
<td>$508,712,818</td>
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<td>7. Department of Agriculture</td>
<td>$119,750</td>
<td>$714,600</td>
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<td>8. Department of Consumer Protection</td>
<td>$2,225,400</td>
<td>$9,211,150</td>
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<td>9. Department of Correction</td>
<td>$22,671,841</td>
<td>$260,455,336</td>
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<td>10. Department of Economic Development</td>
<td>($304,000)</td>
<td>($1,041,000)</td>
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<td>$5,485,000</td>
<td>$16,717,000</td>
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<td>18. Department of Mental Health</td>
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<td>19. Department of Mental Retardation</td>
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<td>22. Department of Public Works</td>
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<tr>
<td>------------------------------------</td>
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<td><strong>TOTAL SAVINGS</strong></td>
<td>$577,834,491</td>
<td><strong>$2,578,710,711</strong></td>
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It is clear that unless these expenses are dealt with, the operating budget cannot be brought under control. Equally troublesome is the lack of accountability in many state programs. There is no process in place to evaluate how large amounts of money are being spent, what needs are or are not being met, and if some services are even required.

**State Employees – A Special Resource**

Connecticut does have a special resource to rely on in these difficult times -- the men and women who work for the state. In every agency, Connecticut has able, dedicated, professional state employees. The Commission staff and consultants have found it a privilege working with them. They have been most responsive to our needs.

In many departments, however, there are serious morale problems stemming from outmoded hiring, transferring, and promotion practices. Ambitions are curbed, initiatives are stifled and frustrations result. These are matters that can be corrected. This report lays out the remedies. Highly-motivated state employees merit better career opportunities.

**$110 Million Already Saved**

An example of what can be accomplished in carrying out Commission recommendations is demonstrated in Exhibit I-2. Legislative and administrative actions in the present year show solid savings or revenue enhancements of $40 million. Agency heads, in a report to the governor, projected another $16 million. The continuation of these economies in the coming fiscal year will amount to nearly $19 million. On top of that, the budget proposed by the Office of Policy and Management (OPM) on November 15, 1990 includes $35 million more. That totals approximately $110 million, not an inconsiderable savings.

It is expected that many more of the Commission recommendations will be considered by both the governor and the legislature in the months ahead.
## Exhibit I-2
### IMPLEMENTATION RESULTS ACHIEVED

<table>
<thead>
<tr>
<th></th>
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<td>20. Higher Education</td>
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<td>$35,151,000</td>
<td>$110,183,383</td>
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</table>

* Indicates Legislative Action.

** Sources: 1990-91 State Budget, Office of Fiscal Analysis, Office of Policy and Management
Data Processing Reform Needed

Data processing is a good example of a multiple-agency issue that is desperately in need of attention. The state spent an estimated $1 billion on data processing in the past three or four years.

Yet, with all these expenditures, it has taken almost nine months for Commission staff to obtain that figure. Likewise, a Department of Transportation manual count showed the department had only half as many vehicles as were indicated in a computer inventory. All of which suggests this huge amount of data processing money has not been spent effectively. There is no master plan in place. A variety of software prevents interagency communication. The state currently uses 13 personnel, nine accounting, eight time and attendance, seven payroll, and two purchasing systems. Seven additional systems are under development, and 18 more are in planning. Yet after all this, almost every state agency has a need for improved data processing.

The Commission recommends that the state centralize information technology functions in an independent agency with an annual planning cycle in which all agencies participate. Because information technology has become such a sophisticated business, the state should search for a person with outstanding credentials to head the organization.

In the meantime, rather than spend money in a disorganized manner, all but vital data processing expenditures should be curtailed. Projected spending for Fiscal Year 1991-92 is probably in the area of $250 to $300 million.

The Need for a Chief Operating Officer

Other pressing issues must be addressed. Accountability is lacking. No one is charged with the over-all responsibility for day-to-day operations of the $7 billion enterprise that is state government. The state needs a chief operating officer reporting directly to the governor.

The governor has to deal with the overriding issues of government, with politics, with the General Assembly, and with a wide variety of other functions. The governor just does not have the time to personally oversee each agency. A chief operating officer and staff could monitor these functions.
There should be quarterly review meetings with each agency. This is an old business practice and is a sound one. Without such a structure, commissioners really have no one to report to on a regular basis.

**Time for a New Culture**

A prime objective for the incoming governor and a chief operating officer should be establishing a new culture for state government. Those who run the day-to-day operations of state government need to adopt new thinking.

In the past they have been driven by three things: (1) providing service, (2) meeting their budget, and (3) preventing their agency from receiving unfavorable mention in the news media. Service is important; the state has to meet the needs of its citizens. It is equally important to be concerned about savings and efficiency of operations. Performance measures that would reflect on compensation could provide a desired motivation for achieving savings and efficiency.

**Billion Dollar Accountability Lacking**

Commission studies found an alarming lack of accountability in the state's grants programs, which total $4 billion or 57 percent of the state budget. Grants to towns total nearly $2 billion — $1.2 billion in aid to education, $322 million to fund teacher's retirement, $210 million in lieu of taxes, and $210 million in statutory grants.

Another $2.1 billion comprises payments to other than local government. The principal categories are:

- Medicaid — $1.2 billion. The bulk of this money pays for nursing homes for the elderly.
- Welfare — $570 million. This provides for care of the indigent.
- Non-profit agencies — $350 million. This pays for such services as day care centers, group homes for the mentally retarded, and drug rehabilitation.
The consultant estimated that a cap on the state grants to towns and non-profit agencies during the current fiscal crisis could produce immediate annual savings ranging from $71 to $170 million.

Connecticut is spending $1.6 billion a year on the public school system. Yet there is no comprehensive system of accountability in place for the state Department of Education and the local school systems to evaluate the effective use of these funds.

Educational expenditures increased 75 percent in the last five years from $740 million to $1.3 billion. When the teacher retirement costs of $322 million are included, the total increases to $1.6 billion. Teachers’ salaries increased dramatically to an average of $41,361, second highest in the country. School enrollment has bottomed out at 464,445 students. Despite this huge outlay and the decrease in student population, there is almost no information available to show a corresponding increase in student progress. A comprehensive performance assessment program should be developed to guide the legislature and the local school districts in making their budget decisions.

The "hold harmless" provision in the state statute covering the Education Cost Sharing (ECS) formula for grants to towns benefits wealthy communities. The consultant for the Commission's study of the Department of Education said that the state should reconsider this provision and the potential reallocation of these funds to towns more in need.

In reviewing the statewide general assistance program, it was found that towns lack many controls necessary to minimize payment errors, administrative costs appear higher than necessary, procedures to identify third-party payors are insufficient, and the state is losing potential federal matching funds for general assistance clients who become AFDC eligible.

Personnel Frustrations

One of the most politically sensitive areas examined by the Commission was personnel matters. Yet the problems here are enormous and will have to be addressed.

Almost every agency studied complained about the lack of flexibility in the classification system. Commissioners have almost no freedom to transfer, promote, or replace people to meet
changing needs. There are too many job classifications with a significant number of single incumbent positions. The hiring process is cumbersome. Bureaucratic barriers cause delays that run for months and cripple efficiency. Commissioners are frustrated by their inability to manage. Morale suffers. The studies have produced a series of recommendations to reform the system.

Complicating matters is the dire financial situation of the state. Employee salaries consume almost 22 percent of the state budget compared with a national average of 18 percent. The average salary for state employees — $32,418 — is fourth highest in the nation. With dwindling resources, this is an area that will have to be examined.

The Commission believes that employee layoffs should be a last resort. Instead, the only humane way to approach the problem is a hiring freeze followed by staff reduction through attrition. In normal times attrition runs as high as 8 or 10 percent for the lower and middle salary ranges. Such attrition would permit adjustments in the work force.

Almost every study carried out by the Commission presented saving opportunities by eliminating positions. The overall total would run into the hundreds. If these recommendations are to be followed, a mechanism will have to be developed so that employees not needed in one area could be transferred to agencies requiring help.

An Opportunity for Labor

The classification system and labor agreements restrict the movement of employees. However, in return for a non-layoff and job freeze policy, labor should work with the state to provide freer use of transfers.

Probably the most controversial findings of the consultants pertain to employee salary levels, health and pension benefits, sick leave, overtime, and the workers’ compensation system. The labor representative on the Commission has filed a strong dissent to these opinions.

Those recommendations include the following:

- Reduce the state contribution to the employee medical plan from 100 percent to 80 percent. Estimated savings of $9 million a year. Most states require an employee contribution.
Reduce the state contribution to the retirees medical plan from 100 percent to 80 percent. Estimated savings of $11.9 million annually starting in 1994-95. Most states require a retiree contribution.

Change workers' compensation benefits. Savings estimated at $7.5 million a year.

Revise pay equity legislation; delay final implementation date past June 30, 1991, pending resolution of issues. Savings estimated in excess of $65 million a year.

Maintain state employee salary scales, some of which the consultant said exceed those of the private sector.

Review staff deployment and scheduling for prison guards and state police to conform to national standards.

Review 35-hour work week, which is uncommon in the public sector.

Labor Policy Should be Reviewed

Because of the dissatisfaction and criticism that has cropped up in almost every study, it would seem that the time has come for the legislature to review the state's labor relations policies.

Binding arbitration is limiting the state's ability to react to fiscal crises. Twenty-seven separate bargaining units, their corresponding number of representatives, and the variety of contract expiration dates overwhelm the limited state labor relations force.

Another point of contention that is worthy of legislative attention is the fact that while the state's population has remained relatively stable, the number of state employees has increased from 47,000 to 52,500 -- an 11.7 percent increase -- in the last five years.

Most compelling of all in the consultant's findings was the observation that there is no central, unified attention paid to the causes and effects of the various personnel expenses. The consultant recommended a consolidation of personnel administration functions in an independent Department of Personnel directly accountable to the governor.
Concern Over Bonded Debt

Fiscal experts are concerned over the rapid growth in the state's bonded debt. Debt service in the present year climbed to $583 million, 8.2 percent of the state operating budget. Fifty million dollars was transferred from the surplus account of the Connecticut Housing Finance Authority (CHFA) to ease the budget crunch, but next year the CHFA will be unable to contribute. So with a $100 million growth in the new bond obligations, debt service will rise to $683 million in Fiscal Year 1991-92. The consultants believe that a realistic debt ceiling should be established if the state is to come to grips with its fiscal problems.

Return to Biennial Budget

Although it is not a unanimous opinion, most members of the Commission feel the state should return to a biennial budget. They believe the present system does not allow enough time to review expenditures in depth. Those preparing the budget finish one year and then immediately plunge into the next year's budget.

Members of the Appropriations Committee have made the point that when they first came to the General Assembly, they were proponents of an annual budget. Now that they have become an intrinsic part of the process for several terms, they think more time is needed to appraise disbursements.

The State Auditors of Public Accounts, in recommendations to the 1991 General Assembly, also have called for consideration of adoption of a biennial budget. They said a biennial process would diminish the possibility of disruptive stopgap fiscal policies, relieve budget personnel of almost continual involvement in budget formulation, and produce substantial administrative savings.

Federal Reimbursement Opportunities

Consultants examining various agencies feel that the state is not taking full advantage of opportunities to obtain federal reimbursement funds. Among the New England states, Connecticut receives the second lowest federal payments per capital at $489. This compares
with $500 for Massachusetts and $655 for New York. Were Connecticut to match Massachusetts, the state would realize an additional $37 million a year.

The last session of the General Assembly, by reducing certain appropriations, in effect mandated acceleration of efforts to obtain more funds for which the state is eligible. A task force has been at work for six months to consolidate and stimulate efforts in this direction. It has concluded that a Federal Revenue Maximization Unit should be established in OPM and could increase federal revenues.

The unit would coordinate the efforts of various state agencies, develop new and innovative ideas, make decisions on how to pursue federal dollars, establish a group of staff people in each state agency to work together on a regular basis, coordinate federal grant applications, and monitor progress. A key player in this program would be the Office of the Attorney General.

The Transportation Department has set an example of what can be accomplished. Through imagination, energy, and efficiency, it has obtained a proportionally greater share of federal dollars than most states.

Privatization

Nine of the studies conducted for the Commission recommended privatization as a means of saving money or improving efficiency. These recommendations came in such areas as the regional laundry service, motor vehicle safety inspections, and refueling stations. Savings were projected from $2 million the first year to tens of millions of dollars in subsequent years.

The state should establish a mechanism to identify and evaluate candidates for privatization, something it does not now have. A major barrier to any such moves is the existing collective bargaining process and the question of how to protect state employees. While privatization is not the answer to every governmental service problem, it is an option that should be open to state decision makers. A precedent exists in services already privatized such as rail service, security services in most state office buildings, food services at the state prisons and jails, and group homes for the mentally retarded.
Attitudes Must Change

To carry out improvements in government, there will have to be an attitudinal change that extends from the state employee to the state legislator. Legislators cannot rise in opposition every time someone suggests closing a school or a court house or shutting down a motor vehicle office in their district.

If economies are to be achieved, legislators will have to look at the overall state picture. Consolidations might cause minor inconveniences, but they should not appreciably reduce services to their constituents.

Connecticut has 70 court locations and 18 motor vehicle offices with another in the planning stage. Most of the offices were located where they are at the request of a legislator or local official. The state does not need all of these operations. Consultants have suggested reducing court sites to 40 and motor vehicles offices to eight.

A New Look at Property Management

It also has become evident from various studies that the state has to take a new look at the way it manages its properties and facilities. Some of the new construction that has been authorized is not needed. Consultants feel that at least one warehouse could be shut down. With the real estate market situation the way it is, any expansion needed could well be handled through leasing opportunities.

As the state moves towards community programs and hospital population decreases, serious consideration can be given to closing two of the four mental hospitals. The phasing out of Mansfield Training School should be accelerated.

Look at Expenses First – Then New Revenue

Concurrent with this study, another committee of government officials and private individuals, the Task Force for State Tax, is assiduously exploring new revenue opportunities. Their report will be a valuable addition to the 1991-92 budget deliberations.
Before any decisions are made on new taxes, and in fairness to the taxpayers of Connecticut, we hope that first there will be an exhaustive scrutiny of present and projected expenditures. Until this review is completed, no one will have a true reading of the dimensions of the budget crisis.

Commission Sets a Fiscal Example

The Commission members are pleased with the example they set for fiscal prudence.

The General Assembly appropriated a total for $4.5 million for this study. It is expected that more than $150,000 will be returned to the state. Aside from approximately $12,000 spent on office equipment and $25,000 on printing this report, the funds were devoted to performing studies.

Implementation

Finally, it should be noted that this has not been an exhaustive, in-depth study. Such an examination would have required more time, money, and a larger staff. The Commission has covered most of the high points and laid out a blueprint for action.

The Commission was also unique in that it had heavy participation from the General Assembly. The people's elected and appointed representatives in government will now have implementation responsibility.
SECTION II: COMMISSION DESCRIPTION AND PROCESS

The Commission to Study the Management of State Government was established by Special Act 89-40 of the Connecticut General Assembly. (The text of this legislation appears at the end of this section as Appendix A.) The purpose of the Commission was threefold. Its members were to identify opportunities for:

- the improved delivery and efficiency of state services,
- increased state revenues, and
- reduced state expenditures.

The Commission was broadly charged with the examination of the functions of state agencies and was asked to develop recommendations for the governor and the legislature.

Composition and Scope

The membership of the 23-person Commission was defined by the enabling legislation, which specified participation by members of the private sector and designated representation from the legislative and executive branches of state government. Members of the legislative leadership were granted authority to appoint members to the Commission; the governor was empowered to name the chairperson.

A $4 million appropriation was approved for Commission operations to conduct management studies, and the body was granted authority to hire consultants to assist in the performance of its investigations. This appropriation was later increased to a total of $4.5 million. Exhibit II-1 shows how the commission spent its funds.

A timetable for Commission operations was established by the legislation. The members were asked to submit the results of their studies to the governor and the General Assembly by January 1, 1991. During the course of the Commission’s work, interim reports were prepared and submitted to the legislature.
Exhibit II-1
COMMISSION EXPENDITURES

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<tr>
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<td><strong>BALANCE</strong></td>
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(Source: Commission Records)

The 19-month time frame set for Commission operations represented an ambitious schedule. To help meet the deadline, staff members were loaned to the Commission by the Office of Policy and Management and by the Legislative Program Review and Investigations Committee. These professionals were given responsibility for carrying out day-to-day operational functions and providing staff support to the appointed membership. They also served as liaisons to consultants engaged in commission-directed studies and coordinated the participation of state agencies in information gathering tasks.

Commission office space and furniture also were donated by various state agencies, enabling the staff to operate independently of any agency or department, and saving money. Further assistance was provided by the private sector in the form of ongoing clerical and technical support to Commission staff. This combination of public and private sector support allowed the Commission to reserve its appropriation for the performance of management studies.
The Study Process

At its initial meeting, Commission members decided on a "building block" strategy, focusing first on individual agency studies, and then on an analysis of cross-agency relationships and an examination of common issues and problems.

Eighteen separate studies were delineated, incorporating an examination of 35 agencies and programs. In several studies, agencies with similar programs or functions were grouped. In total, the agencies reviewed by the Commission encompass an estimated 90 percent of the state workforce and budget.

A Screening Committee reviewed consultant proposals and made recommendations regarding consultant selection. Additional subcommittees were established to provide oversight to the agency studies, working with the consultants and the affected state agencies to ensure coordination of and direction for the investigations. In addition, volunteers from the private sector worked with the consultants and the oversight committees.

Requests for proposals were issued, outlining the scope of each study. Consultants who wished to perform studies submitted proposals outlining their approach and qualifications in a competitive bidding process.

The consultants who participated in this work represented organizations with outstanding professional reputations. In addition to their own staff, on several occasions they had the assistance of subcontractors with special expertise and experience in the fields being studied.

Typically, the individual study process involved a series of meetings between the consultant team, the commission staff, and the oversight body. At the initial oversight committee meeting, a study workplan was reviewed and approved. At subsequent meetings, the consultants reported on study progress and introduced preliminary findings and recommendations. The responses and concerns of oversight group members served to focus and guide further investigation. After recommendations concerning opportunities for efficiency, cost savings or increased revenues were developed, estimates of short-term and continuing fiscal impact were formulated.
After each study's final report was reviewed in draft form by its oversight committee, the study was presented to the full Commission. Study findings and recommendations were then thoroughly analyzed and discussed by the full Commission prior to acceptance of the report.

More than 200 separate formal meetings were held by commission members and staff during the course of this intense process. Exhibit II-2 summarizes the range of commission activities by type. In addition, the consultants who conducted the individual studies interviewed dozens of people in the agencies they reviewed as well as a broad representation of interested parties.

Exhibit II-2
WORK SCHEDULE

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<tr>
<td>Screening Committee Meetings</td>
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<tr>
<td>Study Kick-Off Meetings</td>
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<td>Study Pre-Meetings with Consultants</td>
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</tr>
<tr>
<td>Commission Oversight Subcommittee Meetings</td>
<td>66</td>
</tr>
<tr>
<td>Consultant Meetings with Chairman</td>
<td>20</td>
</tr>
<tr>
<td>Full Commission Meetings</td>
<td>14</td>
</tr>
</tbody>
</table>

(Source: Commission Records)

Multi-Agency Issues

Throughout the Commission's review of the initial studies and as a result of discussions and deliberations, common themes emerged. A significant portion of the consultant recommendations centered around issues affecting virtually every state agency, such as utilization of personnel or the applications of automation.
Consideration of these problems and the development of shared solutions went beyond the scope of the individual agency studies. Further, the treatment of these problems or the development of shared solutions often raised the potential for cost savings to state government as a whole. Building on the agency studies, the Commission identified certain areas for special examination. These issues were considered within the framework of the group's charge to identify efficiencies for state government as a whole. A discussion of the key multi-agency issues appears in Section III of this report.

Agency Studies

The Commission's agency study reports propose specific action steps in five broad categories — direct savings, cost avoidance, revenue enhancements, organizational changes, and service improvements. In broad terms, the Commission's agency studies found that Connecticut state government is plagued by the following:

- a lack of accountability on the part of state program managers for program performance,
- costly and unnecessary redundancies in programs and facilities,
- excessive and superfluous paper work requirements, and
- structural barriers hindering the ability of managers to manage efficiently and productively.

Management improvements to address these deficiencies and estimates of potential savings and enhanced revenues from their implementation are contained in the individual study reports. Summaries of these agency-specific studies are contained in Section IV of the report.

The Commission's membership did not reach unanimity on every issue. Voting exceptions were recorded in the deliberations of several studies. These exceptions, as recorded in the Commission's minutes, are summarized in Section V of this report. Commission members were also given the opportunity to submit written statements outlining their variance with this report or other Commission recommendations. These statements can also be found in Section V.
Implementation

Implementation of Commission recommendations began shortly after completion of the panel’s first study and has been continuing ever since. Included among recommendations already implemented are:

- creation of a high-level state task force to manage an initiative to collect additional federal funds for Connecticut;
- imposition of a freeze on information technology acquisitions pending the completion of a statewide strategic plan;
- a reduction of 595 vehicles in the state fleet; and
- approval by the legislature of child support enforcement recommendations involving six agencies.

Looking toward the future, the Office of Policy and Management is examining all Commission recommendations as part of the 1991-92 fiscal year budget process. The Commission’s recommendations are expected to be a major tool for dealing with the state deficit.

To manage continued implementation of the commission’s recommendations, the legislature should establish an Oversight Commission similar in composition to the existing panel. It should have nine to 12 members and include legislative leadership, top managers from the executive branch, and representatives of the private sector. Executive branch membership should include the secretary of OPM and the new chief operating officer. The new Commission should also have a small staff of three to six professionals. The oversight body should have a mandate to ensure implementation of all multi-agency recommendations and assist the departments in planning for, executing, and monitoring agency-specific recommendations.

Each agency and entity that is the subject of a Commission recommendation should be required to report quarterly to the proposed new oversight body on the status of implementation and how much money has been saved as a result. The secretary of OPM should be asked to verify those savings figures. The staff of the oversight group should report on a quarterly basis on barriers to implementation.
Study Limitations

The work of the Commission was intended as a broad and coherent examination of state government. The Commission could not, and did not, perform detailed operational reviews of state agencies or programs. At the outset, its members also determined that the group would not attempt to make recommendations regarding the large-scale reorganization of state government.

While the Commission was formed in response to the state's fiscal problems, its recommendations should not be viewed as immediate solutions. The focus of the Commission was on the development of approaches that will serve Connecticut in the long term. It was not the Commission's intention to introduce piecemeal "quick fixes" that fall apart in a few years and fail to effect lasting change. Commission solutions try to take into account the roots of governmental inefficiency and suggest approaches that address cause and effect.
AN ACT ESTABLISHING A COMMISSION TO STUDY THE MANAGEMENT OF STATE GOVERNMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened: There is established a commission to study the management of state government. The purpose of the study shall be to develop recommendations for improved delivery and efficiency of state services, increased state revenues and reduction of state expenditures. The commission shall prepare and adopt a plan for a comprehensive review and analysis of the functions of each state agency in order to determine (1) the programs and services administered or provided by such agency, and (2) the efficiency and necessity of such programs and services. Such plan shall include a timetable for completion of the study. The commission may retain the services of one or more consultants to conduct the study. The commission shall review the results of the study and submit its recommendations for implementation to the governor and the general assembly not later than January 1, 1991. The commission shall submit interim progress reports and recommendations prior to January 1, 1991. The commission shall be comprised as follows: Six members from the private sector appointed by the governor; the chairpersons and ranking members of the joint standing committees on appropriations and finance, revenue and bonding; one member appointed by the president pro tempore of the senate; one by the majority leader of the senate; one by the minority leader of the senate; one by the speaker of the house of representatives; one by the majority leader of the house of representatives and one by the minority leader of the house of representatives; and the secretary of the office of policy and management, the commissioner of administrative services and the director of the division of personnel and labor relations of the department of administrative services. The chairperson of the commission shall be designated by the governor.
SECTION III: MULTI-AGENCY ISSUES

This section of the report contains the findings and recommendations from the examinations of issues that extend across agency boundaries. The examination of these multi-agency issues was part of the final report project.

In the Commission’s initial work, common problems and deficiencies were noted across agencies. The examination of these shared problems, which affect virtually every part of state government, became a priority for the Commission’s membership.

These multi-agency studies included topics that affect government-wide operations, expenditures, and management. The eight studies address these areas:

- the need for a chief operating office to oversee day-to-day governmental operations;
- state aid to municipalities and non-profit agencies, the form of distribution for nearly 30 percent of the state’s budget;
- bonding as a tool for the state’s program of capital expenditures;
- the coordination and management of the state’s information technology resources;
- personnel and labor force issues, and the associated costs;
- the opportunity for contracting out state government services or functions through privatization;
- the use of federal reimbursement dollars as a vehicle for program operations; and
- the use of consultants to support or advise program operations.

Each summary outlines the problems that led to the examination, recommendations for state action, and the potential fiscal impact associated with change.
CHIEF OPERATING OFFICER

INTRODUCTION AND PROBLEMS

If the State of Connecticut were a private business, it would rank in the Fortune 100 in terms of revenues and operating budget. Most large companies, such as Fortune 100 corporations, have a chief operating officer (COO) who is responsible for day-to-day operations and management, imposing accountability on senior managers, monitoring efficiency and productivity, and controlling costs.

In Connecticut, the governor is the constitutional chief executive officer of the state, and the heads of executive branch agencies are responsible for the operations of their departments. However, demands on the governor’s time are immense, and the department commissioners are necessarily concerned with their own priorities. What is absent is a high-level position in state government that can maintain a broad perspective and vision and ensure that accountability, efficiency, and productivity are carried out across departmental lines.

RECOMMENDATIONS

A chief operating officer position should be established in the governor’s office with appropriate staff to carry out the COO’s duties, which would include the following:

- Establishing general improvement objectives for each agency and periodically reviewing how well agencies are achieving those objectives. The reports of this Commission should form the basis for those agency objectives.
- Translating the policy objectives of the governor and the legislature into a set of quantifiable standards for performance. The state must be able to measure performance in order to allocate resources effectively. This capacity is particularly important in this time of declining revenues.
- Conferring regularly with line agency commissioners to confront and resolve the causes of bureaucratic inertia, excessive paperwork, and redundant procedures. Areas that need attention include travel authorizations and central report publications.
FISCAL IMPACT

The staff for the COO’s office can be transferred from the Office of Policy and Management or from other agencies, necessitating no new employees.

The implementation of all of the Commission’s recommendations would be enhanced by the establishment of this function.
STATE AID TO MUNICIPALITIES AND NON-PROFIT AGENCIES

INTRODUCTION

For the current fiscal year, Connecticut is spending $1.97 billion on state aid to municipalities and non-profit agencies. This breaks down into $1.62 billion to municipalities and $350 million to non-profit organizations.¹

Of the total allocation for cities and towns for Fiscal Year 1990-91, $1.2 billion is spent for education, $210 million for unrestricted uses such as revenue sharing, and another $210 million for discretionary grants for specific purposes such as aid for roads and public transportation. Appendix A shows a detailed breakdown of all municipal aid programs. (The appendix follows this section.)

PROBLEMS

Financial aid to municipalities and non-profit agencies in Connecticut has grown to the point where it totals 30 percent of the state budget, but management of and control over the programs has been marred by uneven fiscal and programmatic accountability.

Exhibit III-1 illustrates the growth of municipal aid programs from $1.12 billion in Fiscal Year 1986-87 to $1.62 billion currently. Exhibit III-2 summarizes the breakdown of the total $1.97 billion spent on all municipal and non-profit aid programs by responsibility and accountability.

In times of declining state revenues, executive and legislative branch decision makers are being crippled by the absence of both information and policy options for bringing this spending component under control. In the context of state decision making, the salient point is that neither the administration nor the legislature can document to what extent these expenditures are meeting a good public purpose or even if they are meeting the minimal goals of local managers.

The absence of accountability in state spending for local schools and a recommendation for a comprehensive program of related performance assessment was one of the major recommendations contained in this Commission's study of the Department of Education.²
Exhibit III-1
STATE AID TO MUNICIPALITIES

Exhibit III-2
STATE AID BREAKDOWN

<table>
<thead>
<tr>
<th>Type/Amount of Aid</th>
<th>Agency Responsibility</th>
<th>Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.2 Billion-Education</td>
<td>Department of Education</td>
<td>Little program accountability</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$210 million-Unrestricted</td>
<td>Various state agencies</td>
<td>No program accountability required</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$210 million-Restricted</td>
<td>Various state agencies</td>
<td>No uniform program accountability</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td>being imposed</td>
</tr>
<tr>
<td>$350 million-Grants to</td>
<td>Various state agencies</td>
<td>No uniform program accountability</td>
</tr>
<tr>
<td>Non-profits</td>
<td></td>
<td>being imposed</td>
</tr>
</tbody>
</table>

(Source: Office of Policy and Management and Office of Fiscal Analysis)
However, the same criticism holds true for the myriad of non-education aid, discretionary elements of state aid to municipalities, and for aid to non-profit programs like day care and mental health counseling.

Affordability is the most immediate issue confronting state decision makers with regard to state aid to municipalities and non-profit agencies. Can a government facing a $2.1 billion deficit afford grant programs that are growing by nearly $100 million a year? The affordability issue is particularly timely as a result of the outcome of the recent effort by the executive branch to reduce the state's operating budget by five percent. While many line agencies achieved the governor's budget reduction goal, state aid to municipalities and non-profit organizations was excused totally from the undertaking.

Reducing spending in lean times is only one facet of the state aid challenge, however. Decision makers must also confront more fundamental policy issues. The fact is that the environment in which many of these state aid programs were originally designed has changed dramatically.

Population demographics have shifted. The Connecticut economy has moved from growth to decline. Federal financial assistance has been reduced. The needs of both communities and individuals have evolved. Despite these changes, no comprehensive reassessment of state aid to municipalities and non-profit entities has been undertaken. Absent such a review, neither the administration nor the legislature can measure the existing aid programs objectively or compare them to the realities of existing state and local needs.

Do current aid programs meet current needs? Should specific aid programs be continued, modified, reduced, or eliminated? Today, these policy questions cannot be answered. But more important is the fact that no institution of state government has a mandate to even ask these questions and turn the answers into municipal-state policy and long-range planning. The Commission's study of the Office of Policy and Management specifically cited the lack of municipal policy development as a shortcoming that should be remedied.3

Currently, two state entities perform limited municipal policy development and planning. The Advisory Commission on Intergovernmental Relations, which was created in 1984 to advise

III-7
the legislature, has a broad mandate to study shared state-municipal responsibility and resources. The Bridgeport Financial Review Board was established by the 1988 legislature in the State Treasurer's Office to help that financially-troubled city restore fiscal stability and maintain its bonding capacity. While both of those entities have some limited municipal policy responsibilities, the state organizational structure lacks an authoritative focal point to coordinate state municipal policy activities. Absent a compelling policy direction, management of the nuts and bolts of the state aid to municipalities process is impossible.

In the case of aid to non-profits, some grant applications require an assessment of whether an applicant's program has objectives and includes subsequent evaluation of whether or not they are met. For the most part, however, these objectives are general and descriptive and do not adequately measure the effectiveness and efficiency of the program. Across the board, there is no established policy for identifying the amount of resources utilized, how much work was performed, and whether the program was effective. Each agency that administers these grants provides an individualized degree and form of financial oversight, but the standard varies widely from agency to agency.

In addition to the lack of policy guidelines, state managers are also hampered by a lack of fundamental financial information on these programs. Financial audits of recipients of state financial assistance are both quantitatively duplicative and qualitatively inconsistent. In a graphic example of the problem, no agency of government tracks state aid to non-profit entities. Historical data on state aid to municipalities can be charted as shown earlier, but comparable numbers for aid to non-profits are simply not available. At the same time, current practices produce a heavy administrative burden, result in backlogs, and are not gathered into a single document for analytic purposes.

In the case of aid to municipalities, this Commission's report on the Office of Policy and Management specifically cited as a deficiency the absence of a uniform chart of accounts for municipalities. The lack of a uniform chart of accounts, the study concluded, inhibits comparative reporting on service level accomplishments and fiscal indicators.
Another critical success factor for rational budget management is a process for determining whether programs are operating efficiently. Currently, programmatic oversight of state aid to municipalities and non-profit entities varies widely.

For non-profits, program oversight is the responsibility of the line agencies of state government with statutory authority over the program area of the grant. Again, the state has no standardized process for program performance auditing.

As a general rule, the evaluation of discretionary municipal aid and non-profit aid that does exist is descriptive and anecdotal and does not provide the information that any prudent individual would want to know about these programs.

On a broad level, the Commission's review of OPM recommended an increased emphasis upon statewide program/operations accountability. This finding also holds true for all state grant programs.

RECOMMENDATIONS

The governor and the legislature should cap aid programs at their current funding levels for the upcoming Fiscal Year 1991-92 budget. At the same time, the state should develop a formal process to reduce or reallocate grant payments to towns and non-profits to respond to a fiscal crisis that erupts after the budget is passed. The process should be designed to permit the required reductions or redistributions with minimal disruptions and administrative burden. For municipalities, it should balance any reductions in aid against corresponding reductions in requirements for state-mandated services. Development of the process should be the responsibility of the Office of Policy and Management.

OPM should also launch an immediate effort to assess current discretionary grants from a policy perspective. While many of these recommendations address long-term efforts regarding financial and performance information, policy decisions on whether these programs are meeting current needs must be made now. Immediate implementation of assessment policies would allow restructuring of aid to municipalities and the consolidation or elimination of grants to non-profits in the 1992-93 fiscal year.
Another significant part of this recommendation is to establish a stronger municipal policy mandate for the OPM Intergovernmental Relations Unit (IGR). Action steps should include the transfer of the Advisory Commission on Intergovernmental Relations and the Bridgeport Financial Review Board to OPM. The transfer of the commission would be consistent with the policy orientation of OPM. The transfer of the board would strengthen the municipal development process and complement OPM's audit review function. Realization of this recommendation will make OPM and IGR the focal point for long-range municipal grant planning.

Long-term solutions to monitoring grant programs should begin with an extension of the single agency audit process -- now required for all state, local and non-profit programs that receive federal assistance in excess of $100,000 -- to all municipalities and non-profits that receive state aid. Responsibility for enforcement should rest with the agency granting the funds in question. Achievement of this recommendation will reduce current administrative burdens by eliminating duplicative audit requirements and improve the efficiency and information consistency of audits.

A final long-range solution should include development of a uniform, performance-based monitoring process for discretionary grants to municipalities and for grants to non-profit entities across all state agencies. OPM should be responsible for designing the process. Responsibility for actual performance of this oversight function should be retained in the line agencies with jurisdiction, but OPM also should oversee the process. Achievement of this recommendation will both enhance program efficiency and allow budget writers to reach informed decisions.

FISCAL IMPACT

Instituting a cap on the state grant payment program during the current fiscal crisis would result in a substantial cost avoidance. Based on the historical record of the last five years, immediate savings would range from $71 million to $170 million.

Significant but undetermined cost savings also could be achieved through enhanced grant program financial accountability and the application of stronger performance evaluation standards.
ENDNOTES


6. MAXIMUS, Inc. review of Commission reports and interview with agency staff, October 1990.


## Appendix A
### MAJOR FORMS OF STATE AID

<table>
<thead>
<tr>
<th>PROGRAM/AGENCY</th>
<th>OBJECTIVES/DESCRIPTION</th>
<th>GRANT REQUIREMENTS</th>
<th>REPORTING/AUDIT REQUIREMENTS</th>
<th>FUNDING LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Unrestricted Grants to municipalities.</strong>&lt;br&gt;Agency: OPM</td>
<td>Provides a Grant to each municipality for its unrestricted use.</td>
<td>None - Grants determined by Manufacturing/mercantile inventories established twenty years ago.</td>
<td>None</td>
<td>FY 87-88 - $34,600,000&lt;br&gt;FY 88-89 - $34,000,000&lt;br&gt;FY 89-90 - $34,478,569&lt;br&gt;FY 90-91 - $34,478,569</td>
</tr>
<tr>
<td><strong>2. Revenue Sharing</strong>&lt;br&gt;Agency: OPM</td>
<td>Grant to each municipality for its unrestricted use. Grant payment based on a formula which is weighed 80% on population, 10% on population density, and 10% on public housing.</td>
<td>None</td>
<td>None</td>
<td>FY 86-87 - $20,000,000&lt;br&gt;FY 87-88 - $20,000,000&lt;br&gt;FY 88-89 - $20,000,000&lt;br&gt;FY 89-90 - $10,000,000&lt;br&gt;FY 90-91 - $0</td>
</tr>
<tr>
<td><strong>3. State Grants in lieu of taxes on state owned property.</strong>&lt;br&gt;Agency: OPM</td>
<td>Provides municipalities with funds in lieu of taxes for state owned property within the municipalities, except that acquired and used for highways and bridges. Municipalities reimbursed up to 20% of exempt taxes on state owned real property and 100% of exempt taxes on prisons or jails.</td>
<td>Municipality must have state owned real property within its boundaries. Municipal assessor must provide the Secretary of OPM with assessed valuation of the real property annually by April 1st.</td>
<td>Subject to audit and field investigation.</td>
<td>FY 85-86 - $11,566,818&lt;br&gt;FY 86-87 - $12,010,638&lt;br&gt;FY 87-88 - $16,218,824&lt;br&gt;FY 88-89 - $18,001,400&lt;br&gt;FY 89-90 - $18,943,505&lt;br&gt;FY 90-91 - $20,205,118</td>
</tr>
<tr>
<td><strong>4. State Grants in lieu of taxes on private colleges and general hospitals.</strong>&lt;br&gt;Agency: OPM</td>
<td>Municipalities are reimbursed, on a formula basis - (now @ 50% of the exempt taxes) for taxes not assessed against private colleges and general hospitals.</td>
<td>Municipality must have a private college or general hospital within its boundaries. Municipal assessor must provide the Secretary of OPM with assessed valuation of the property by April 1st.</td>
<td>Subject to audit and field investigation.</td>
<td>FY 84-85 - $11,499,999&lt;br&gt;FY 85-86 - $12,199,999&lt;br&gt;FY 86-87 - $16,241,004&lt;br&gt;FY 87-88 - $30,809,763&lt;br&gt;FY 88-89 - $30,800,000&lt;br&gt;FY 89-90 - $32,000,000&lt;br&gt;(40%)&lt;br&gt;FY 90-91 - $41,789,172&lt;br&gt;(50%)</td>
</tr>
<tr>
<td><strong>5. Town aid for roads and public transportation services.</strong>&lt;br&gt;Agency: Department of Transportation</td>
<td>Provide financial assistance to municipalities for highway purposes such as maintenance, improvement or construction of highways and bridges, and for public transportation purposes.</td>
<td>Allocated funds are distributed to all municipalities on a mileage-population basis.</td>
<td>Each municipality is to include or require its auditors to include a report on the Town-Aid Grant received as a supplementary schedule in the municipalities' annual audit approach.</td>
<td>FY 85-86 - $25,266,309&lt;br&gt;FY 86-87 - $29,893,013&lt;br&gt;FY 87-88 - $29,892,209&lt;br&gt;FY 88-89 - $29,891,293&lt;br&gt;FY 89-90 - $29,891,199&lt;br&gt;FY 90-91 - $29,892,233</td>
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Appendix A (continued)

**MAJOR FORMS OF STATE AID**

<table>
<thead>
<tr>
<th>PROGRAM/AGENCY</th>
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<th>FUNDING LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6. Property tax relief fund</strong>&lt;br&gt;Agency: OPM</td>
<td>Payments are made under the property tax relief fund to each municipality for its unrestricted use. FY 80-91 represents the fourth year of the ten year $42 million per annum payment established pursuant to PA 87-584.</td>
<td>None</td>
<td>None</td>
<td>FY 87-88 - $ 42,000,000&lt;br&gt;FY 88-89 - $ 42,000,000&lt;br&gt;FY 89-90 - $ 42,000,000&lt;br&gt;FY 90-91 - $ 42,000,000</td>
</tr>
<tr>
<td><strong>7. Telecommunications property tax grant - OPM</strong></td>
<td>Municipalities are paid directly by the telecommunication companies. Payments are in relation to the company's assessed personal property value located in each municipality multiplied by forty-seven mills.</td>
<td>Municipality must have telecommunications personal property within its boundaries.</td>
<td>The telecommunications companies report personal property to Secretary of OPM.</td>
<td>FY 89-90 - $ 36,941,105&lt;br&gt;FY 90-91 - $ 37,700,004</td>
</tr>
<tr>
<td><strong>8. Local capital improvement program.</strong>&lt;br&gt;Agency: OPM</td>
<td>Reimburses municipalities for eligible infrastructure projects to encourage development of a five-year capital improvement plan.</td>
<td>Each town, consolidated town and city, or consolidated borough receives an annual funding entitlement. After announcement of the entitlement, a municipality must make separate application and certification for each project. Eligible projects should be in accordance with a five-year local capital improvement plan which should be adopted annually with the town budget. Municipalities must certify that project funds have been expended prior to reimbursement.</td>
<td>Municipalities are requested to maintain a detailed accounting record of their local capital improvement projects. Any balance will be carried over to the succeeding fiscal year.</td>
<td>FY 87-88 - $ 20,000,000&lt;br&gt;FY 88-89 - $ 30,000,000&lt;br&gt;FY 89-90 - $ 30,000,000&lt;br&gt;FY 90-91 - $ 30,000,000</td>
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<tr>
<td>9. Education Cost Sharing (ECS) grant program</td>
<td>Replaced the guaranteed tax base program and incorporated continued state support of the teacher salary initiatives of the 3 year education enhancements act grants. Designed to produce equalization of educational financing and equity in educational opportunity. Also to improve teachers' salaries and narrow salary disparity among school districts and revenue expenditure disparities among school districts. Aid based on town wealth, state guaranteed wealth level, state foundation level, and need pupils.</td>
<td>Schools must be maintained according to the law and towns must finance education at a level at least equal to their minimum expenditure requirement. All school districts must submit an End of Year School Report.</td>
<td>All aid distributed to a municipality is to be expended upon the authorization of the municipal or regional Board of Education for school purposes only.</td>
<td>FY 85-86 - $459,308,000&lt;br&gt;FY 86-87 - $451,647,705&lt;br&gt;FY 87-88 - $449,075,529&lt;br&gt;FY 88-89 - $479,288,073&lt;br&gt;FY 89-90 - $827,049,102&lt;br&gt;FY 90-91 - $891,920,362</td>
</tr>
<tr>
<td>10. Special education, pupil transportation and adult education.</td>
<td>These grants are calculated based on reimbursement of a percentage of actual net 1989-90 special education and transportation expenditures and estimated 1990-91 adult education expenditures. Reimbursements are based on a sliding scale (10% to 70% for special education except for gifted and talented which is at 5% to 35%, 10% to 60% for transportation, and 10% to 70% for adult education) with each district's percentage based on local wealth.</td>
<td>See following page for grant categories.</td>
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<td>See following page for grant categories.</td>
</tr>
</tbody>
</table>
### Appendix A (continued)

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</tr>
</thead>
<tbody>
<tr>
<td>10a. Special Education Agency: Dept. of Education</td>
<td>Assist local school districts in providing education to handicapped and gifted or talented children. Grant estimates are based on projected reimbursement percentages for current year and projected local expenditures for previous year. Estimates include regular special education (with payments based on prior year expenditures, excess costs, state agency agreements, and the DMH facilities grant which are reimbursed 100% of eligible costs in the current year.</td>
<td>School districts are required to file the necessary reports to ensure compliance with the law and regulations for special education.</td>
<td>State Board of Education audits local school district reimbursement claims.</td>
<td>FY 85-86 - $123,878,548 FY 86-87 - $130,215,823 FY 87-88 - $158,255,305 FY 88-89 - $175,760,000 FY 89-90 - $200,674,846 FY 90-91 - $215,687,825</td>
</tr>
<tr>
<td>10b. School Transportation Agency: Dept. of Education</td>
<td>Assist local educational agencies transporting children to attend public and non-public schools.</td>
<td>Pupils must be transported to and from school under conditions that meet standards for safety and convenience.</td>
<td>Report of the number of pupils transported and the costs of such transportation must be filed with the Department of Education for reimbursement of expenditures. Periodic reports and audits are also required.</td>
<td>FY 85-86 - $31,724,884 FY 86-87 - $31,747,033 FY 87-88 - $34,231,530 FY 88-89 - $36,200,000 FY 89-90 - $34,758,128 FY 90-91 - $37,350,000</td>
</tr>
<tr>
<td>10c. Adult Education Agency: Dept. of Education</td>
<td>Provide a program for adult classes. Provide learning opportunities for adults in areas of citizenship, limited English proficiency, and elementary and secondary school completion.</td>
<td>School districts are to provide a program of adult classes. No fees are to be charged for classes in Americanization and Citizenship and Elementary and Secondary completion classes.</td>
<td>Costs and activities are to be certified to the State annually by February 15, for current year reimbursement. Periodic reports and audits are also required.</td>
<td>FY 85-86 - $3,435,000 FY 86-87 - $4,330,741 FY 87-88 - $5,275,396 FY 88-89 - $6,380,000 FY 89-90 - $6,371,555 FY 90-91 - $7,468,861</td>
</tr>
</tbody>
</table>

**NOTE:** A 5% Admin. set aside of $393,097 is included in the appropriation - but is not reflected for FY 89-90 and FY 90-91.

Source: Office of Policy and Management
### TOTAL STATUTORY FORMULA GRANTS 1980-1990

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 80-81</td>
<td></td>
</tr>
<tr>
<td>FY 81-82</td>
<td></td>
</tr>
<tr>
<td>FY 82-83</td>
<td></td>
</tr>
<tr>
<td>FY 83-84</td>
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<tr>
<td>FY 84-85</td>
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<tr>
<td>FY 85-86</td>
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<tr>
<td>FY 86-87</td>
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<tr>
<td>FY 87-88</td>
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<tr>
<td>FY 88-89</td>
<td></td>
</tr>
<tr>
<td>FY 89-90</td>
<td></td>
</tr>
</tbody>
</table>
INTRODUCTION

During the last five years, Connecticut's elected officials have turned more and more to general obligation bonding as an off-budget device to finance an ambitious but largely unfocused program of capital spending. As shown in Exhibit III-3, the rate of growth of General Fund state bond authorizations over the last five years has significantly outstripped the rate of growth of the General Fund.

From $363.1 million in the 1986-87 fiscal year, general obligation bond authorizations for the 1990-91 fiscal year total almost $1.2 billion. That represents an increase of 230 percent. Over the same period of time, the General Fund component of the state's operating budget increased from $4.3 billion to $6.4 billion, an increase of nearly 50 percent.¹

Exhibit III-3
COMPARISON OF GROWTH IN OPERATING BUDGET AND BOND AUTHORIZATIONS

(Source: Office of Policy and Management and Office of Fiscal Analysis)

III-17
Of equal significance is the story of the state's total bonded indebtedness -- the cumulative debt owed by taxpayers as a result of all bond issues outstanding. In 1985, total state indebtedness was approximately $2.01 billion. Today, it is $3.28 billion. The growth of this debt is shown in Exhibit III-4.

If the state were to issue approximately $800 million a year in general obligation bonds, which is less than has been the practice the last few years, the indebtedness of Connecticut taxpayers would top $6. billion by 1997. This sum represents nearly $1,875 for every man, woman, and child in the state and would likely add $350 million to the budget in terms of debt service. This would increase total annual debt service to almost $800 million. Exhibit III-5 projects the amount of outstanding debt from Fiscal Year 1990-91 through the year 2010 based on the assumption that $800 million in general obligation bonds would be issued annually and factoring in known and estimated issue retirements.

**PROBLEMS**

As a result of this substantial increase in bonding, the ability of the governor and the legislature to cut state spending is being countermanded by large-scale increases in required debt service payments over which these decision makers have no control.

**Exhibit III-4**

**AGGREGATE BONDED INDEBTEDNESS**

(Source: Office of the State Treasurer)
Exhibit III-5
PROJECTIONS OF OUTSTANDING DEBT 1991-2010
(In Billions $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assumed New Issuances</th>
<th>Known Retirements</th>
<th>Estimated Retirement of New Issues</th>
<th>Estimated Debt Outstanding (End of FY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>3.408</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>3.800</td>
<td>.111</td>
<td>.040</td>
<td>4.057</td>
</tr>
<tr>
<td>1993</td>
<td>3.800</td>
<td>.244</td>
<td>.080</td>
<td>4.532</td>
</tr>
<tr>
<td>1994</td>
<td>3.800</td>
<td>.231</td>
<td>.120</td>
<td>4.981</td>
</tr>
<tr>
<td>1995</td>
<td>3.800</td>
<td>.232</td>
<td>.160</td>
<td>5.389</td>
</tr>
<tr>
<td>1996</td>
<td>3.800</td>
<td>.237</td>
<td>.200</td>
<td>5.751</td>
</tr>
<tr>
<td>1997</td>
<td>3.800</td>
<td>.245</td>
<td>.240</td>
<td>6.066</td>
</tr>
<tr>
<td>1998</td>
<td>3.800</td>
<td>.214</td>
<td>.280</td>
<td>6.372</td>
</tr>
<tr>
<td>1999</td>
<td>3.800</td>
<td>.196</td>
<td>.320</td>
<td>6.655</td>
</tr>
<tr>
<td>2000</td>
<td>3.800</td>
<td>.187</td>
<td>.360</td>
<td>6.908</td>
</tr>
<tr>
<td>2001</td>
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<td>.400</td>
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<tr>
<td>2002</td>
<td>3.800</td>
<td>.152</td>
<td>.440</td>
<td>7.332</td>
</tr>
<tr>
<td>2003</td>
<td>3.800</td>
<td>.199</td>
<td>.480</td>
<td>7.452</td>
</tr>
<tr>
<td>2004</td>
<td>3.800</td>
<td>.137</td>
<td>.520</td>
<td>7.595</td>
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<tr>
<td>2005</td>
<td>3.800</td>
<td>.115</td>
<td>.560</td>
<td>7.719</td>
</tr>
<tr>
<td>2006</td>
<td>3.800</td>
<td>.108</td>
<td>.600</td>
<td>7.810</td>
</tr>
<tr>
<td>2007</td>
<td>3.800</td>
<td>.107</td>
<td>.640</td>
<td>7.863</td>
</tr>
<tr>
<td>2008</td>
<td>3.800</td>
<td>.091</td>
<td>.680</td>
<td>7.892</td>
</tr>
<tr>
<td>2009</td>
<td>3.800</td>
<td>.074</td>
<td>.720</td>
<td>7.897</td>
</tr>
<tr>
<td>2010</td>
<td>3.800</td>
<td>.061</td>
<td>.760</td>
<td>7.876</td>
</tr>
</tbody>
</table>

(Source: Office of the State Treasurer)
In the long term, the absence of restraint over bonding could lead to a costly downgrading of the state’s credit rating, increased interest costs, and inability to finance critical projects in the future.

Unlimited Debt Authorizations. Problem number one is the fact that existing state law fails to impose discipline on the issuance of general obligation bonds. Unlike most states, Connecticut has no constitutional limit on its power to issue debt other than the requirement that it may borrow only for public purposes. There is a statutory limit, but it so high as to be meaningless. Connecticut law provides that the aggregate amount of indebtedness cannot exceed 4.5 times the General Fund tax receipts during the previous fiscal year. For the 1989-90 fiscal year, tax receipts totaled $4.737 billion, giving the legislature a debt limit of $21.32 billion. The state’s actual debt subject to the limit, as of the end of September 1990, was $3.28 billion.

While many financial consequences of the absence of meaningful controls on bonding are long-term, some are immediate in the form of the debt service component of the annual operating budget. Based on a preliminary report from the State Treasurer’s Office, debt service in the Fiscal Year 1991-92 budget will total an estimated $430 million, an increase of nearly $150 million over current year expenditures for debt.

State decision makers should also be concerned about the potential for another downgrading of the state’s bond rating as a result of this growing indebtedness. According to Moody’s Investors Service, one of the country’s leading bond rating agencies, when public indebtedness becomes too troublesome, an inability or unwillingness on the part of the bond issuer to pay may follow.

Last April, when Moody’s downgraded Connecticut’s bonds from AA1 to AA, Standard and Poor also downgraded Connecticut’s bond rating from AA+ to AA. This downgrade did not affect the state’s finances, but a further one would force the state to begin paying higher interest on its bonds.

The formula used to calculate the effect of bond rating changes on debt service interest costs is highly complex. The impact of a downgrading depends on many factors, including market demand, the rating of nearby states, and a wide range of other subjective issues. But according to the State Treasurer’s Office, a half-grade reduction on an $800 million issue could
add an additional $1.25 million a year to the interest cost of retiring those bonds. That would equate to a total of $13.75 million in additional interest over the life of bonds with an average lifespan of 11 years. Assuming the rating stays down for four years, the average length of time it takes to recover from a downgrade in the best of circumstances, the total additional interest would be $55 million.

A final relevant issue in the unchecked growth of Connecticut’s debt is the changing role of the State Bond Commission from a restraining influence to an equal partner in the rapid increase in debt financing. The commission originally was established in state law to have a veto power over the General Assembly’s bond act, in that it was given the sole power to authorize the issuance of bonds. Under the Connecticut system, the Bond Commission has to act before the Treasurer can issue and actually sell the bonds. The bonds, however, need not be issued before expenditures are incurred.

The Bond Commission consists of the governor, the treasurer, the comptroller, the attorney general, the secretary of the Office of Policy and Management, the commissioner of the Department of Public Works, and the co-chairs and ranking minority members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly.

Once the legislature passes the bond package, it is up to the Bond Commission to authorize issuance of those bonds. Historically, the commission was viewed as the counterbalancing weight that kept the state’s bonded debt in balance. But as illustrated in Exhibit III-6, there has been a trend toward ever-increasing debt. During the last fiscal year, the commission has approved a near doubling of the allocation of the previous year, going from $506.3 million to $906.9 million. For the first six months of Fiscal Year 1990-91, the commission has approved over $500 million in issuances.

Lack of a Comprehensive Long-Term Capital Plan. Another major problem is the lack of a unified, long-term capital panning process combining both state and local capital bonding projects. Without a single comprehensive capital plan, planning, budgeting and financing decisions are not made with complete knowledge by either the executive or legislative branches.
Currently, the responsibility for preparing capital budgeting is shared by three separate units within the Office of Policy and Management. The annual capital budget is prepared by the Capital Budget Unit. Recommended budget levels are also set within the Capital Budget Unit for two additional capital expenditure plans prepared by other OPM units:

- the Statewide Facility and Capital Plan (FacCap), prepared by the Comprehensive Planning Unit; and
- the Local Capital Improvement Program (LOCIP), designed by the Intergovernmental Relations Division.

In addition to these plans, OPM also has long-range clean water, housing, transportation, and recreation development and conservation capital plans.

According to state law, FacCap should be the focus of the state capital budget, that is the bond act for state facilities. FacCap is seldom used in the development of the capital budget; the time schedule for preparation of the plan does not conform to the schedule for capital budget submission.
A lack of coordination in the development of LOCIP was also cited in this Commission's study of OPM. While local communities are required to certify that they have developed five-year capital improvement plans, these plans are never seen or reviewed by OPM and are not considered in the development of either the capital budget or FacCap.

Until the late 1970s, the capital budget was developed by the governor and OPM without much modification by the legislature. In the last ten years, legislative participation in capital spending has increased, as shown in Exhibit III-7. The legislature has increased the governor's capital budget in every year but one. The legislative additions ranged from $4.5 million in 1980 to $211.4 million in 1990. In all, the net additions total more than $1 billion in the 11-year period illustrated.

Exhibit III-7  
LEGISLATIVE ADDITIONS TO GOVERNOR'S CAPITAL BUDGET
(Millions of Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Governor's Proposed Capital Budget</th>
<th>General Assembly's Final Capital Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>$85.0</td>
<td>$89.5</td>
</tr>
<tr>
<td>1981-82</td>
<td>$110.0</td>
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<td>1982-83</td>
<td>$150.0</td>
<td>$186.5</td>
</tr>
<tr>
<td>1983-84</td>
<td>$247.0</td>
<td>$318.7</td>
</tr>
<tr>
<td>1984-85</td>
<td>$320.0</td>
<td>$401.7</td>
</tr>
<tr>
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<td>$641.9</td>
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<tr>
<td>1986-87</td>
<td>$643.0</td>
<td>$641.7</td>
</tr>
<tr>
<td>1987-88</td>
<td>$740.0</td>
<td>$885.4</td>
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<td>$1,128.8</td>
<td>$1,207.0</td>
</tr>
<tr>
<td>1989-90</td>
<td>$1,318.7</td>
<td>$1,542.6</td>
</tr>
<tr>
<td>1990-91</td>
<td>$1,395.0</td>
<td>$1,606.4</td>
</tr>
</tbody>
</table>

(Source: Office of Policy and Management)
Lack of Policy Guidelines for Evaluating Capital Project Requests. The Commission's study of OPM also noted the lack of discipline in its approach to the capital budget.\textsuperscript{15} The same criticism holds true for the legislature. Neither OPM nor the legislature provides a critical review of vital capital budget issues, including:

- analysis of the economic impact of the project,
- assessment of alternatives to the project,
- annual operating and maintenance costs,
- impacts on state bonding levels,
- impact on annual debt service, and
- consistency with the capital budget and LOCIP.

A related problem is the total absence of guidelines for ranking capital projects, one against the other. As a result of these deficiencies, bonds have been authorized for many projects that would be questionable in terms of any objective standard of measurement of a rational capital improvement project plan. The lack of guidelines to evaluate projects is particularly glaring in the legislature's authorization of state general obligation bonds for projects that are purely local in character, regional projects that are narrow in scope, projects for non-profit agencies, and economic development projects. Typically, an interest group directly approaches the governor or a legislator seeking to add a project to the bond act, bypassing both OPM and local officials. Examples of some recent additions to the bond act include:

- a study of a police department,
- a feasibility study of the East Hartford Nature Conservancy and Passive Recreation Project,
- periodicals for a library,
- a soccer field for Enfield,
- a little league field for Bristol,
- improvements to the Eugene O'Neill Memorial Theater,
- restoration and improvements to the Keeler Tavern, and
- development of facilities for the Tennis Foundation of Connecticut.
Since 1986, bonding authorizations for grants to local governments or non-profit organizations have increased from $3 million to $259.9 million.¹⁴ Many of these projects were not given serious scrutiny and were added to the budget without going through any planning process.

RECOMMENDATIONS

Enact Legislation to Strengthen the State’s Debt Limit Law

The legislature should amend the statutes to provide that the aggregate amount of state indebtedness cannot exceed 1.6 times the General Fund tax receipts in the previous fiscal year. In addition, the law should be strengthened to apply this limit to the amount of bonds outstanding plus the amount authorized and unissued. Only two exceptions to the limit should be allowed: short-term borrowing to meet cash flow needs in times of crisis and funding to cover emergency needs in times of natural disaster. Of course, all previously issued bonds will enjoy the full faith and credit of the state.

As an additional safeguard, the law should require that, prior to authorization of general obligation bonds by the legislature, the state treasurer should certify that the authorization can be accommodated within the limit. Certification by the treasurer also should be required prior to any allocation bond authorization by the Bond Commission.

Finally, the law should provide that when authorizations approach 75 percent of the limit, both the legislature and the governor should be mandated to review existing authorizations that have not been issued and establish priorities for de-authorizing projects.

A total of 46 states have special constitutional or statutory restrictions on the issuance of long-term general obligation debt. Frequently, states place a cap on the total outstanding debt allowed, or require voter or majority legislative approval for bonds.

At one end of the spectrum are states that have extremely restrictive limits that prohibit or effectively prevent general obligation debt financing. Texas, Alabama, and Indiana, for example, flatly ban general obligation debt, while South Dakota has a $100,000 limit on outstanding debt.
States in the middle of the spectrum include Virginia and Washington. Virginia limits full faith and credit debt to 1.15 times the average annual income tax and sales tax receipts for the three previous fiscal years. In Washington, debt limit is tied to revenue averages over a three-year period. Total debt service in any fiscal year may not exceed seven percent of the average of all state revenues from the three previous years.

At the other end of the spectrum are states with no limits such as Maryland, New Hampshire, and Tennessee or relatively generous limits like Hawaii which restricts annual debt service to 18.5 percent of average general fund revenues for the past three years.17

Strengthening the Connecticut law with a 1.6 factor, as recommended, would place the state somewhere in the middle of the spectrum.

Develop a Single Five-Year Capital Plan

OPM should develop a five-year capital plan that integrates FacCap, LOCIP, and other long-range plans. The plan should identify all state and state-funded local capital needs and should be linked to all available funding sources, including the capital budget, municipal aid, and aid to non-profits.

The plan should require assessment of the impact of capital requests on the operating budget in terms of debt service, maintenance, and operating costs over the life of the bonds and the project.

The first year of the five-year plan (or the first two years if a biennial budget is adopted) should constitute the governor's recommended capital budget, thereby linking long-range and immediate capital budget needs. The executive and legislative branches should work together to review the plan, in order to break the current cycle of multi-million dollar legislative additions to the capital budget.

Such a five-year planning cycle will allow capital needs to be planned and priorities established to:

- reflect and advance long-term state facility policies and practices,
- support current and future program requirements,
generate a rational context for formulating long-term financial policies, and

promote a systematic framework for arriving at capital investment decisions.

Develop Guidelines for Reviewing and Evaluating Capital Budget Requests

Clearly, OPM and the legislature need to develop a more disciplined approach in authorizing general obligation bonds. Two approaches could be considered. First, the governor and the legislature should work together to establish an authorization level for each budget cycle. While specific projects could be shifted around, the level should be constant. Second, no bonding authorization should be permitted for a specific capital project until the project appears in the five-year capital plan for at least one year. Such a barrier would strengthen the planning process and reduce the incidence of last-minute additions to the authorization legislation.

Finally, specific guidelines should be developed for reviewing and evaluating capital budget requests for both state and local projects proposed for state financing. The following list of guidelines used in other states could help set priorities for capital investments:

- fiscal impacts,
- health and safety effects,
- community economic effects,
- environmental, aesthetic, and social effects,
- amount of disruption and inconvenience caused by the project,
- distribution effects (who will be affected and how),
- feasibility, including public support and project readiness,
- implications of deferring the project,
- amount of uncertainty and risk, and
- advantages accruing from relationship to other capital projects.
FISCAL IMPACT

The fiscal impact of the recommendations will center primarily on future savings. Imposition of a stronger cap would impose additional discipline on the governor and legislature as well as help avoid a further reduction in the state's bond rating. As indicated, a downgrading of the state's rating could have a significant impact on interest costs. Finally, achievement of recommendations on capital budget planning and the imposition of Capitol Improvement Program guidelines will also slow the growth in bonding. For example, it has been estimated that between $50 million and $100 million worth of projects in the Fiscal Year 1990-91 capital budget could not have met the requirements of rational public policy guidelines.18
ENDNOTES

1. Interview with Robert Harris, Assistant Director, Office of Fiscal Analysis, Connecticut General Assembly, 27 November 1990.

2. Report on General Obligation Bonds and Debt, Office of the State Treasurer, Hartford, CT, 1 September 1990.


4. Connecticut General Statutes, Sec. 3-21(a).


8. Interview with Benson Cohn, Assistant Treasurer - Debt Management, Office of the State Treasurer, 2 October 1990.

9. Connecticut General Statutes, Sec. 3-20(g).

10. Connecticut General Statutes, Sec. 3-20(c).


12. Ibid.

13. Connecticut General Statutes, Sec. 4b-23.


15. Ibid., p. 40.


INFORMATION TECHNOLOGY

INTRODUCTION

Connecticut's annual investment in information technology represents a significant portion of the state budget, although the aggregate size of the outlay is disguised because spending is spread out among a variety of agencies, and much of it is off-budget. The total cost of information technology for the current 1990-91 fiscal year reveals an estimated expenditure in excess of $249 million.\(^1\) A number of data processing (DP) purchases are recorded on the books against non-DP accounts. Calculating in these purchases could increase the total outlay to more than $300 million.

Of the total, the largest share of the information technology pie -- $189 million -- goes for procurement, including hardware, software, maintenance, and vendor services. Another $58 million is spent on personnel costs and $2.2 million for space.\(^2\) Exhibit III-8 shows the relationship among the components of information technology spending.

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\begin{tikzpicture}
\begin{axis}[
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    legend style={at={(0.5,-0.15)},anchor=north},
    xticklabels={{PROCUREMENT},{PERSONNEL},{SPACE}},
    xtick=data,
    legend image code/.code={\draw[#1] (0cm,-0.125cm) rectangle (0.3cm,0.125cm);},
    legend columns=-1,
    enlarge y limits=0.2
]
\addlegendimage{empty legend}
\addlegendentry{0.88%}
\addplot+[fill=gray!50] coordinates{(1,23.27)} node {23.27%};
\addplot+[fill=black] coordinates{(2,75.84)} node {75.84%};
\end{axis}
\end{tikzpicture}
\end{center}

(Source: Office of Policy and Management)

III-31
The growth and organization of state information technology activities has been the subject of numerous studies, including examinations by several blue ribbon commissions. Various recommendations have been made about the direction of the state's information systems, focusing primarily on organizational issues.

As a result of these various initiatives, operational control over parts of the state's information systems has been moved from agency to agency. Over the last 17 years, the state's information system oversight has been variously placed under the Office of the Comptroller, the Department of Finance and Control, the Personnel Department, the Department of Administrative Services (DAS) within its Bureau of General and Technical Services (formerly the Bureau of Information Systems and Data Processing), and the Office of Information Technology (OIT) within the Office of Policy and Management. The ultimate consequence of this history has been to ensure that operations remained highly decentralized.

The Bureau of General and Technical Services, DAS's central information services site, works with agencies that seek its assistance to develop statewide applications, which are then run on its computer on a time-share basis. Its major user is the Department of Income Maintenance (DIM).

In the area of procurement, the Bureau of Purchasing within DAS has responsibility for approving all General Fund information technology acquisitions. In reality, the Bureau of Purchasing process can easily be bypassed. A state agency may develop an information technology budget, define projects and priorities, select an operating platform, develop and implement applications, and make procurements in a departure from state regulations.

The state has dramatically increased its dependency on and acquisition of information technology. The state is paying for at least seven major data processing sites and more than 15 separate communications networks, which are used to support a wide range of operations and agencies.

In the latest organizational change, the 1987 General Assembly created the Office of Information Technology in the Office of Policy and Management with a mandate for statewide telecommunications planning, including voice and data. In 1989, the General Assembly
expanded the role of OIT to include developing policy for all information and telecommunications systems in the state.

PROBLEMS

Organizational Structure – The state currently has seven major data centers, 15 separate telecommunication networks and over 350 minicomputer systems. Operations staffs, systems programmers, and procurement analysts work at almost all of these locations to support the data centers.

There is no single organization with authority to exercise overall control of statewide information technology. This results in a redundancy of applications, lack of data sharing capability, duplicate operational costs, and excess hardware capacity.

Over half of the states have a single organization with across-the-board responsibility for all phases of data processing and data communications. Currently in Connecticut, overall information technology and telecommunications planning is primarily the responsibility of OIT while the Bureau of General and Technical Services performs detailed system planning for its clients and operates the state’s telecommunications network. Because these are part of a continuum, their roles often overlap.

While various agencies have responsibility for overall information technology missions, they either do not have sufficient authority or their mandates are too narrow. For example, at one point DAS was given the charge to oversee the procurement and operations of information technology, but it had no statewide authority for planning nor any real authority to enforce its policies.

Planning – While OIT has developed a strategic information plan for the state, implementation is moving slowly. One of OIT's early actions was to call for a stop to all hardware procurement until its plan was completed, but stopped short of imposing flat prohibitions. Some of OIT's difficulties can be traced to inadequate staffing, but its main problem has been its reluctance to act aggressively to correct inefficiencies and redundancies.
Redundancy can be noted within the seven major data centers. For example, UNISYS mainframe computers are in use in four agencies, the Office of the Comptroller, the Department of Labor, the Department of Transportation, and the UCONN Health Center. In addition, various state agencies operate 350 to 400 separate minicomputer operations. Each of these data centers is configured to accommodate a specific agency need, yet each also has unused capacity with a commensurate cost.

Procurement — The development of the state’s information systems also has been marked by problems associated with unnecessary duplication. Exhibit III-9 identifies the range of information technology issues noted in this Commission’s studies of agencies with significant information system resources. Chief among the findings are:

- eight separate time and attendance systems with three more in the planning stages,
- thirteen separate personnel systems with five more in development and seven more planned,
- seven payroll systems with two more in development and two additional planned, and
- nine separate accounting systems with seven more planned.

These duplications have created major planning and procurement inefficiencies. Application planning and procurement of data processing equipment and software is traditionally a time-consuming and labor-intensive process involving the preparation of highly technical requests for proposals, evaluation of responses, vendor demonstrations, and dealing with a myriad of technical nuances. As a result many agencies have buried information technology purchases under non-information technology accounting codes while bypassing the normal budget and procurement process. Consequently, agencies are procuring information technology with other than general funds while existing capacity goes unused elsewhere in the state.

The fragmented nature of planning for and procurement of hardware, software, maintenance and vendor services limits the state’s leverage in negotiating costs. This manifests itself not only in the initial purchase but in ongoing upgrades, extensions, replacements and maintenance services. While centralizing procurement may not yield any immediate savings, it will contribute to better management of resources in the future.
<table>
<thead>
<tr>
<th>Study</th>
<th>Recommendation</th>
<th>First Year Savings/Costs</th>
<th>5-Year Savings/Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Automate Operations</td>
<td>(17,500)</td>
<td>(87,000)</td>
</tr>
<tr>
<td>CSE</td>
<td>Automate CSE enforcement</td>
<td>2,614,324</td>
<td>26,991,570</td>
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<tr>
<td>DAS</td>
<td>Use electronic data interchange</td>
<td>253,750</td>
<td>6,042,250</td>
</tr>
<tr>
<td>DAS</td>
<td>Reconfigure SDR and part of SDS</td>
<td>1,305,938</td>
<td>6,529,690</td>
</tr>
<tr>
<td>DAS</td>
<td>Develop monolithic CATER network</td>
<td>430,800</td>
<td>3,354,000</td>
</tr>
<tr>
<td>DAS</td>
<td>Streamline and automate telephone billing</td>
<td>(124,000)</td>
<td>2,940,000</td>
</tr>
<tr>
<td>DAS</td>
<td>Streamline time and attendance interface to payroll</td>
<td>168,630</td>
<td>2,012,290</td>
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<td>DAS</td>
<td>Phase in automation of CATER staffing and operations</td>
<td>0</td>
<td>178,998</td>
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<td>DAS</td>
<td>Competitively bid phone service</td>
<td>1,105,000</td>
<td>525,000</td>
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<tr>
<td>DAS</td>
<td>Eliminate Gandalf switch in the data center</td>
<td>300</td>
<td>91,500</td>
</tr>
<tr>
<td>DEP</td>
<td>Upgrade DP resources by adding one new programmer</td>
<td>(30,500)</td>
<td>(152,000)</td>
</tr>
<tr>
<td>DEP</td>
<td>Create systems administrator position in Bureau of Administration</td>
<td>(59,400)</td>
<td>(297,000)</td>
</tr>
<tr>
<td>DMH</td>
<td>Revise data processing system development</td>
<td>96,000</td>
<td>96,000</td>
</tr>
<tr>
<td>DOT</td>
<td>Appoint a database administrator</td>
<td>0</td>
<td>(50,000)</td>
</tr>
<tr>
<td>DOT</td>
<td>Perform a detailed IS assessment</td>
<td>0</td>
<td>(250,000)</td>
</tr>
<tr>
<td>DOL</td>
<td>Improve automation of state funded programs</td>
<td>77,500</td>
<td>1,017,500</td>
</tr>
<tr>
<td>DOT</td>
<td>Implemented automated inventory</td>
<td>(400,000)</td>
<td>(100,000)</td>
</tr>
<tr>
<td>DOT</td>
<td>Improve environmental permit and tracking procedures</td>
<td>1,900,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>SDE</td>
<td>Restructure MIS office</td>
<td>0</td>
<td>(336,000)</td>
</tr>
<tr>
<td>State Library</td>
<td>Redirect federal funding from A-V U &amp; I-1 programs to the library automation program</td>
<td>0</td>
<td>(1,564,000)</td>
</tr>
<tr>
<td>BP/DAS</td>
<td>Improve fleet vehicle utilization</td>
<td>1,889,000</td>
<td>9,445,000</td>
</tr>
<tr>
<td>BP/DAS</td>
<td>Develop statewide contracts for DP supplies</td>
<td>2,600,000</td>
<td>13,000,000</td>
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Exhibit III-9 (continued)
COMMISSION STUDY
INFORMATION TECHNOLOGY RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Study</th>
<th>Recommendation</th>
<th>First Year Savings/Costs</th>
<th>5-Year Savings/Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP/DAS</td>
<td>Freeze data processing procurement; reform procurement practices</td>
<td>100,000</td>
<td>500,000</td>
</tr>
<tr>
<td>DPS</td>
<td>Improve automation of the Department’s operations</td>
<td>(250,000)</td>
<td>(934,000)*</td>
</tr>
<tr>
<td>DPS</td>
<td>Improve automation of the time and attendance system</td>
<td>20,000</td>
<td>580,000</td>
</tr>
<tr>
<td>DOC</td>
<td>Establish automated system to track days lost due to workers’ compensation claims</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>DOC</td>
<td>Integrate inmate transportation system into automated inmate tracking system</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>DOC</td>
<td>Purchase integrated inmate payroll, account, commissary and banking system</td>
<td>203,158</td>
<td>1,728,701</td>
</tr>
<tr>
<td>Higher Ed</td>
<td>Upgrade computer system</td>
<td>N/A</td>
<td>(102,556)</td>
</tr>
<tr>
<td>Higher Ed</td>
<td>Establish a higher education automation center</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(Source: Individual Agency Studies, Connecticut Commission to Study the Management of State Government)


Information Sharing – The current diffusion of information technology resources in Connecticut has come at a time when the need for agencies to share information has become more critical. The police need access to records from the courts and the Department of Motor Vehicles (DMV). The entire criminal justice community needs to develop a comprehensive criminal justice information system. The Child Support Enforcement Division needs access to DIM, DMV, and court information. The Department of Mental Retardation (DMR) and the Department of Mental Health (DMH) also need to share data. The demand for state agencies to share data will only increase in the future. Currently, however, unnecessary differences in formats, data definitions, and usage of identical kinds of data are costly, major deterrents to data sharing.
RECOMMENDATIONS

The Office of Information Technology and DAS's centralized information technology functions should be merged into a new information organization. The new agency, which would be headed by a chief information officer, should have a clear mandate for all planning, procurement, and operations of state information systems along with commensurate enforcement authority. All agency proposals to procure hardware and software should have to comply with a strategic information systems plan and each agency's approved business systems plan.

The new Information Systems Office (ISO) should be an independent agency, tied to OPM for administrative purposes only. The enabling legislation also should establish an executive steering committee composed of selected agency heads to ensure that their concerns and needs are met. The organization also should include a user's forum consisting of information technology personnel from other agencies to provide for performance feedback, technical needs identification, and the dissemination of technology trends and advances.

After the new agency has operated for a period of time, baseline data on service level needs and costs will be available. The state should then investigate the cost and feasibility of "outsourcing" the operation to private vendors.

Planning — The first job of the new ISO should be to expedite approval of the current strategic plan as well as help each agency develop a business plan. Additional resources may be required on a short-term basis to expedite the planning process and execute the office's expanded functions.

Operations — Next, ISO should prepare an operations plan to consolidate all mainframe and minicomputers into statewide data centers. These data centers should be limited in number and based on core functions of state government, including health and human services, criminal justice, finance and administrative, transportation and capital, and property inventories. The ultimate number of centers should be determined by the state's strategic information plan, balancing the needs of the agencies against economies of scale. All mainframe and minicomputer hardware should be housed at these centers.
Consolidation would allow multiple applications to be executed on a machine that is now dedicated to a single agency. Ownership of the equipment, software and maintenance will transfer to the Information Systems Office.

For all but the common "core" applications, the agencies will be "charged back" for computer usage. With the consolidation of data centers, the state of specific hardware/software capacity should be examined and identified. The equipment, software and maintenance support identified as excess should be released, resulting in a reduction in computer and support personnel costs.

**Procurement** – State agencies should be required to follow centralized procurement regulations concerning hardware, software, maintenance, and vendor services. A streamlined process should be established that allows agencies to obtain the necessary review and approval to meet their procurement requirements. The ISO should maintain a current inventory of information technology components to facilitate asset management and procurement leverage.

**Information Sharing** – Another major job of the new office's planning organization should be to review the different agency functions and applications and then formally assign statewide administrative authority to the appropriate agencies for developing, implementing, and monitoring these systems on a uniform, integrated basis. These agencies should have the responsibility for working with the new office to develop a statewide data architecture for these key applications. The new Information Systems Office, in turn, should integrate the data architectures between applications.

**FISCAL IMPACT**

There are numerous opportunities to achieve cost saving in a $300 million business area. By consolidation of the planning, operations and procurement of information technology in Connecticut, many deficiencies noted in the reports to the Commission could have been avoided.

The consolidation of data centers would result in $2.6 million in savings from the elimination of redundant personnel, $1 million in superfluous hardware, and $1.2 million in duplicative software development costs. In addition, another $1 million should be saved from
volume discounts. While there would be some increase in site preparation costs to consolidate data centers, the long-term cost of space would be less.\textsuperscript{7}

The cost avoidance benefits related to interfacing systems after the development of a statewide data architecture could reach the millions.

Some experts in the information technology field, familiar with state data processing operations, believe the state’s cost savings for information systems services could be as much as $50 million in Fiscal Year 1991-92. That estimate is based on a savings of 20 percent of current expenses.\textsuperscript{4}
ENDNOTES


2. Ibid.


7. The most immediate savings can be expected in the operational area. With over seven major data centers and between 300 and 400 minicomputers, consolidation of data center operations could easily reduce personnel costs by $2.6 million. The savings include the absorption of three major data centers. Assuming five operations staff per center, not including production scheduling personnel, minimally 50 percent of the operational personnel per consolidated data center could be eliminated. In addition, assuming only one full-time equivalent is needed to operate every five minicomputers, an additional 60 operators/system managers could be eliminated. Using an average salary plus fringe of $40,000, the minimum savings would be $2.6 million.

Along with the consolidation of equipment there is a corresponding reduction in network costs which have not been estimated for this report. Should the target number of data centers be less than five, the corresponding saving would be even greater. Costs associated with the data center consolidations are the costs to create raised floor space, air conditioning and electrical power in the data center, and related moving costs. While these costs will be unavoidable to some extent, they can be minimized based upon the targeted data centers. For instance, the current data center in the Office of the Comptroller has enough excess space to become a consolidated data center with minimal additional costs. Also based on discussions with the Department of Public Works, creating a large environmentally correct data center costs much less than multiple smaller data centers.

For the purpose of this report, estimated savings based on volume discounts (on hardware and maintenance) are approximately $1 million based on purchases of $100 million.
However, experience shows that discounts of five to ten percent could be minimally expected.

The savings estimate associated with the elimination of duplicate statewide systems was based on an average of three people developing each system. This is also a conservative estimate that includes developers only and does not include other costs such as trainers, user testing, CPU utilization, and overtime.

The establishment of a data architecture will facilitate required interfaces and data sharing; the cost savings associated with this activity have not been estimated for this report.

The cost savings associated with a streamlined procurement process has also been excluded. However, the elimination of unnecessary purchases based on centralized capacity planning and control is conservatively estimated at $1 million. There currently exists enough combined excess capacity to eliminate some of the existing mainframes and minicomputers.


Mr. Crawford's savings estimates are based on the centralization of computer operations and the development and maintenance of common core applications.

He cites potential savings in a range of 30 to 50 percent of hardware costs and 15 to 30 percent of personnel costs over current state spending, if centralization is achieved.

If common core applications were put in place, Mr. Crawford estimates an immediate reduction of at least 26 system maintenance staff. Further savings are estimated from the associated elimination of 17 redundant system development efforts.
INTRODUCTION

The state’s labor force currently numbers 52,526 full-time employees. The cost of their salaries and wages comprised 24 percent of the state’s budget, more than $1.5 billion in Fiscal Year 1990-91. Additionally, fringe benefit costs, including retirement contributions and health insurance, total more than $610 million.

The effective and efficient utilization of this work force is the key to the effective delivery of state government services. Yet throughout the agency studies performed for this Commission, recurring themes suggest the shortcomings of the personnel system in managing the human resources of state government.

- "... Managers are severely limited in their flexibility to make personnel decisions in the best interests of delivering their products and/or services."  
- "Departments ... are often unable to fill positions in a timely manner ... To fill a position, the typical time requirement was three months ... "  
- "... Managers are not held accountable for effective human resources management ... There is a tendency to only respond to employee concerns which are escalated through the grievance process ... "  
- "One agency has more than one Workers’ Compensation claim for every three employees. One (facility) in that department reported that on the day of our visit 14 percent of the work force was out on Workers’ Compensation (125 of 883 employees)."

Concurrently, public debate and media discussion have questioned the size and cost of the state’s work force, with the state’s deficit situation raising issues of potential cutbacks and layoffs.

PROBLEMS

The combination of cost issues and the alleged limited ability of the state to appropriately and properly utilize and manage its personnel led to this examination, which centered on three issues:
the design and management of the state's personnel system, and the extent to which its operations effectively serve state government;

- the cost of the state's labor force, and the extent to which costs can be controlled or contained; and

- the relationship of the state to collective bargaining units, and the extent to which the state's capacity for personnel management is effectively served or limited by that relationship.

The purpose of this investigation, therefore, was to establish the extent to which the state’s personnel operations contribute to, or countermand, the effective management of the human resources of state government.

Personnel System Structure

Issues of cost control and management effectiveness are tied to the fragmentation of the oversight of the personnel system in the State of Connecticut. To the extent that a "personnel system" exists in the state, it is divided among three agencies; certain other functions are decentralized to the individual departments. Major personnel management functions are performed as follows:

- **The Personnel Division of the Department of Administrative Services** has primary responsibility for merit system administration. This unit's duties include job classification, recruitment and testing, and the maintenance of employee records. Key units within the division include:
  - the Office of Labor Relations, which handles the negotiation and administration of collective bargaining agreements, including wages, benefits, and working conditions for state agencies other than the Judicial branch of government and faculty and non-faculty professionals in Higher Education;
  - the Personnel Development Center, which develops and delivers managerial and in-service training; and
  - the Workers' Compensation and Loss Control section, which oversees claims administration, and sets related policy and procedures.

- **The Office of the Comptroller** handles payroll responsibilities. This office additionally administers employee benefit contracts, such as health insurance, and operates the state employees' retirement system.
The Office of Policy and Management provides fiscal control over personnel transactions. Its approval is a requisite for establishing new positions or filling vacancies. Additionally, the office plays a role in labor negotiations, by providing fiscal notes prior to negotiations and through impact analysis afterwards.

Each agency has its own personnel staff with responsibility for such duties as managing personnel, training and staff development, handling paperwork and procedural negotiations with the Personnel Division and OPM, primary recordkeeping, and labor agreement oversight.

No single unit or office has a total and complete perspective on personnel issues. No office has the responsibility -- or even the capacity -- to link personnel policies and practices with the resultant cost to the state. Personnel actions are not linked to budgetary implications, nor are the effects of system inequities or weaknesses related to their programmatic and human impacts in terms of:

- the cost, use, and appropriateness of fringe benefits over the long term;
- current costs with significant budgetary impact, such as excessive overtime, Workers' Compensation claims, and health care utilization;
- programmatic and service implications of long-term delays in filling vacant positions;
- long-term, system-wide implications of personnel initiatives such as the Objective Job Evaluation (OJE) process;
- deployment and management of the work force across and within agencies; and
- the state's relationship with its employee unions in the collective bargaining process.

This lack of centralized and uniform management has implications for the state's ability to control personnel-related costs, structure the classification and placement system to respond appropriately and in a timely fashion to agency needs, and maintain a balanced and managed relationship with its employee unions. To an extent, these problems are interrelated and tend to complicate each other.

The merit system brings certain protection and job security to state employees, assures them freedom from political pressure, and assures the public continuity in government services without regard to the electoral process. Its regulations and policies bring consistency and
uniformity of process. Its critics charge that it imposes a bureaucracy increasingly unresponsive to the human resources needs of state agencies.

The Personnel Division is responsible for defining and classifying state positions. Examination criteria are developed as a basis to fill new or vacant positions; the Merit Promotional System (MPS), a cooperative selection process involving an individual agency and the Personnel Division, can also be used.

Including all legislative, judicial, and higher education positions, state government currently has 3,998 job classifications. The state merit system includes approximately 2,600 job titles. According to a survey of state personnel officers, only seven states have more job classifications than Connecticut.

Many of the state's job classifications have fewer than five incumbents (567 positions); 464 individuals currently hold single-incumbent positions. Whether in an attempt to justify positions, seek increased compensation for employees, or provide employees with alternatives outside the existing career ladder, agencies have developed complex and detailed job descriptions that are more often tailored to the individual filling the position than to the functional skills required for job performance.

The level of detail in job descriptions clearly defines the expectations for task performance. At the same time, this level of detail is restrictive because:

- it limits flexibility in task assignment (For employees covered by collective bargaining, departure from job description language offers grounds to file grievances related to working out of class.;
- detailed job descriptions easily become outdated and cannot accommodate additional service or program needs;
- detailed descriptions, and commensurately specific criteria, limit the lateral mobility of staff within agencies; and
- it is difficult to refill vacant positions if new or revised descriptions are required, initiating a time-consuming review and approval process.

Studies performed for the Commission noted that from an agency perspective, the testing, referral, job description, and position referral processes are not performed in a timely manner. The study of the Department of Administrative Services documented lengthy turnaround times for examination administration and for employee certification.
The system's strong emphasis on job experience and length of service as promotional criteria, in both examinations and MPS promotions, also limits agency flexibility. This emphasis biases job opportunity toward promotion from within agencies as required by state law. While this encourages straight-line career advancement for state employees, it has limiting factors:

- it restricts the capacity of agencies to hire qualified candidates from outside of state government;
- it can limit an agency's ability to recruit from an affirmative action perspective; and
- it inhibits lateral transfers, and limits upward mobility across program areas within departments.

The excessive detail ingrained in the personnel classification process also colors recruitment and promotional opportunities. This restrictiveness and inflexibility is corroborated by the collective bargaining agreements, which essentially codify personnel system provisions for the life of the contract period. This contractual underscoring of personnel practices makes system reform virtually impossible.

Personnel Costs

The cost of state government's labor force is significant. Salaries alone represent nearly one-quarter of the state's annual budget. The state's salary and benefit levels are among the most generous in the nation. Comparative statistics show that the average salary for Connecticut's state government employees ranks fourth highest in the nation.\(^{12}\) In August 1990, the average annual salary of full-time state employees was $32,418.\(^{13}\)

The size of the state government work force approaches national norms. Comparative statistics from other states indicate that the 183 employees per 10,000 Connecticut residents is consistent with staffing levels in other states.\(^{14}\)

Overall, it is difficult to conclude whether the work force is too large, too small, or "just right." The clear majority of Commission studies noted individual positions or groups of positions that could be eliminated. At the same time, high overtime costs in agencies with large residential facilities or institutions suggest that staffing levels are inadequate. A rational
conclusion is that the work force, while adequate in size, is not effectively deployed among agencies.

The amount of the state’s payments for salaries and wages as a percentage of total state government expenditures also exceeds national averages. In 1988, the most recent year for which comparative statistics are available, the salaries and wages paid in Connecticut totalled 22 percent of the state’s total budget, as compared to a national average of 18 percent. 15

Personnel expenditure levels are related to multiple factors:

- policy decisions on the part of executive branch leadership and the General Assembly regarding compensation for state workers;
- within collective bargaining agreements and arbitration awards, the ability of labor negotiators to win salary increases and other payments through negotiation or binding interest arbitration;
- the impact of the Objective Job Evaluation process on salaries; and
- the ability of the state to control other salary-related components, including benefit spending such as health care costs and Workers’ Compensation payments, and to limit costs associated with overtime.

These factors have an interrelated effect on personnel costs.

Policy Decisions

Discussions with state staff regarding salary levels generally include reference to the state’s relatively high cost of living and its correspondingly high per capita income. According to U.S. Census Bureau statistics, Connecticut’s average per capita income ranks highest in the nation. 16 This high level of personal income, therefore, serves as a context for setting state salaries, according to interviewees.

Prior to the inception of collective bargaining, salary increases were set by the legislature as part of the state’s budget process. Now the legislature approves salary levels as negotiated in union contracts or awarded by arbitrators. The General Assembly has never failed to approve salary proposals. Their accession to salary rates so proposed has additionally contributed to payroll growth.
Collective Bargaining

For employees enrolled in collective bargaining units, salary levels and salary increases are negotiated on a periodic basis by unions and the state. The state currently has 27 collective bargaining units, with contracts generally in effect for a period of two or three years. The annual salary increase specified in the union contracts in effect in this fiscal year range from 4 percent to 6.93 percent.17

Because contract negotiations are staggered, critics argue that each bargaining union seeks an increase over the latest results achieved, thus accelerating the payment of higher salaries to state workers. Two additional facets of the collective bargaining process have been identified as contributing to personnel cost increases:

- Collective bargaining agreements generally contain "hidden" or non-salary costs to the state. Often, these take such forms as lump sum payments based on longevity, extra benefits such as meal or clothing allowances, or payments to unions for training or staff development activities. Many of these bargaining issues are virtually impossible to cost out during the negotiation process because of inadequate data, limited time for research and analysis, and a lack of staff resources. Too often, their true cost becomes known only after adoption.

  Both state staff and union representatives acknowledge that these "extra" benefits are often more readily and easily gained than percentage salary increases, which are routinely subject to public and media scrutiny.

- The adoption of legislation authorizing mandatory binding arbitration has moved up the timing of payment of bargained benefits. When contract negotiations break down, issues are resolved through binding arbitration. The resultant arbitrator's ruling -- and its compensation package -- then go into effect within 30 days following their filing with the General Assembly, unless rejected by a two-thirds vote of both houses. Within ten days of filing, the legislative Appropriations Committee must meet to accept or reject the negotiated award. While some aspects of compensation are retroactive to the date the previous bargaining agreement ended, other "go-forward" factors, such as increased overtime or shift differentials, may go into effect upon legislative committee approval.

For those contracts that are settled without binding arbitration, legislative approval is routinely given during a regular session. Any "go-forward" payments take effect after this approval by the General Assembly. Binding arbitration, by accelerating the state's payments of higher
benefits and other non-salary expenditures may, therefore, serve as an incentive for impasse on the part of unions. For example, negotiators whose contract expires in June, after the legislative session ends, can seek binding arbitration in September, thus gaining a three or four month head start on those bargaining units whose negotiated-agreement contracts are subject to examination and approval after the General Assembly reconvenes in January.

Objective Job Evaluation

The OJE process resulted in salary adjustment for various job classes, particularly those traditionally held by female incumbents. Instigated by the General Assembly’s concerns regarding comparable worth and pay equity across state government, the OJE process entailed a comparison of job duties and components by position and classification. Through comparison to established and uniform criteria, points were awarded related to job duties and responsibilities. The relationship of points to salary levels was then achieved in the context of collective bargaining negotiations.

The OJE process led to the upgrading of certain job classes within bargaining units. More significantly, the process led to the creation of additional "pay lines," that is, pay schedules linked to employee grade and step. Two bargaining units have been granted paylines higher than the state’s basic pay line through arbitration; salaries for workers in these paylines are four and eight percent higher respectively than for state employees in equal grades whose contracts follow the basic pay line. 18

Critics of the OJE process assert that because the job evaluations took place in staggered implementation over a multi-year period, and because any increase in pay sets a pattern for commensurate increases within the collective bargaining process, this legislation can be associated with accelerated growth in payroll costs.

There is virtually no way to accurately measure the total cost impact of OJE implementation over the last five years; nor is it clear the extent to which labor negotiators could have achieved comparable salary increases without OJE increases as a baseline. Examination of a sample of individual job classifications illustrates the position-specific impact of OJE. 19 Salaries were adjusted upward in ranges from 8 to 27.5 percent, as a result of OJE analysis.
Other Salary-Related Components

The costs of overtime pay, shift differential pay, and other types of salary-based payments are a hidden cost of the state's payroll. Overtime pay is highest in those agencies whose facilities operate on a 24-hour basis: the Departments of Mental Health, Mental Retardation, and Correction.

Staffing patterns, collective bargaining agreements, high rates of absenteeism and the state's 35-hour work week are all factors in overtime usage. Agencies have little choice but to pay overtime in many instances. For example, in facilities operated by the Department of Mental Retardation, certification and the attendant federal reimbursement are tied to adequate staffing levels. A 24-hour facility demands three shifts of employees, working eight-hour shifts. The 35-hour work week, with its seven-hour work-day, cannot adequately address that staffing need.

Within certain units of state government, overtime usage is an established practice. According to the findings of several studies performed for this Commission, employees have routinely come to expect overtime pay.

Employee Benefits

The cost of employee benefits, more than $610 million in Fiscal Year 1989-90, represents an additional 45.56 percent of salary costs. The study of the Department of Administrative Services examined the interplay of benefits policy and costs regarding such issues as:

- unfunded pension liabilities, which comprise 15 percent of benefit expenditures;
- employee participation in health care and retirement contributions;
- retiree contribution to health insurance; and
- workers' compensation benefit levels.

It is not the intent of this discussion to revisit those issues. As with salary levels, these benefit levels represent longstanding policy decisions made by the executive and the legislative branches of government.
Employee retirement contributions and health care premiums are a significant expenditure. Their combined cost of $414.5 million in Fiscal Year 1989-90 represented more than two-thirds of the General Fund fringe benefit expenditures. Workers' Compensation claims, a rising expense for all employers, exceed state norms. State government's ability to influence costs for health care, and for rehabilitation and compensation for employees injured on the job, can have significant impact on personnel costs. In every Commission study in which Workers' Compensation issues were noted, recommendations addressed the need for legislative modification to the program.

**Health Care Costs**

Health insurance costs are a direct result of employee utilization. Because state employees have a higher utilization pattern than does the insured population at large, the cost to the state for health care insurance is approximately 10 percent greater than the average cost for all employers in Connecticut. The Commission's study of DAS outlined the state's initiation of managed care cost containment measures that are intended to limit utilization, which in past years has exceeded average patterns for Blue Cross, the state's insurer.

The results of the first year's full-scale implementation are not yet complete, but staff of the DAS Personnel Division indicate that during the first six months of 1990, health care utilization has dropped eight percent. According to Blue Cross estimates received in January 1991, there will be no premium increase for the fiscal year beginning July 1, 1992, and the Rate Stabilization Reserve deficit of $26 million will be eliminated.

The state has done little in terms of proactive measures to encourage employee wellness and to decrease the likelihood of employee need for health care intervention. To the extent that prevention and health promotion activities occur, they are limited in impact. Within the last two years, a Quality of Worklife Program has been undertaken as a result of negotiated agreement between the Health Care Employees Union and the state. This initiative has included an emphasis on employee fitness and wellness. This initial outlay is intended to reap lasting cost-benefit in terms of health care cost avoidance and improvements in worker productivity.
Workers' Compensation

Workers' Compensation claims, totaling $45 million in the last fiscal year, represent a payment of nearly $1,000 per state employee. Between Fiscal Years 1985-86 and 1989-90, claims payments more than doubled. Claims are heaviest in those state agencies with institutional and residential facilities.25

The Workers' Compensation Section in the Personnel Division has instituted steps to curb the growth of claims. "Loss control" initiatives were undertaken in the four agencies with the largest percentage of claims: the Departments of Correction, Mental Health, Mental Retardation, and Children and Youth Services. These continuing campaigns are intended to reduce accidents and job-related injuries through employee awareness. While overall performance has not been thoroughly evaluated, one accident prevention program has proven effective in reducing employee accident injuries by more than 50 percent.26

The expenditure of claims payments is not the only cost of Workers' Compensation. The high rate of utilization represents absence from work for the affected employees. Therefore, high utilization of Workers' Compensation can be linked to commensurate utilization of overtime, or the use of temporary or part-time substitute employees by the affected agencies.

The state is handicapped in its ability to return employees to work in a "light duty" capacity, given the strict and limiting job classification descriptions. Although a "light duty" program has been negotiated with District 1199, the Hospital and Health Care Workers union, virtually any departure from normal routine job duties raises the specter that a unionized employee is "working out of class." The narrow job descriptions limit the agencies' flexibility in developing alternative assignments that can allow injured employees to participate in the work force and to support agency productivity.

Unmeasured Costs

The cost components discussed above are the readily visible results of the state's personnel practices and policies. The costs that are not easily measured or observed are those associated with the personnel system's inefficiencies: the delays in refilling vacant positions, the lowered productivity of staff not optimally deployed, the administrative burden associated
with monitoring compliance with complex regulations, and the costs of administering multiple-track payroll and benefit systems.

The compelling issue that arises from an examination of the cost of the state's personnel system is not so much the bottom line figure, but the realization that there is no central unified attention to the effect of these costs, their causes, and their integration. Each participant agency in the personnel process has a limited scope of involvement, interest, and control.

The Personnel Division operates a placement service and administers a civil service system. Its staff interest in cost containment or the cost impact of its practices is limited to the areas of Workers' Compensation and fledgling attempts at cost containment in health care costs.

The Office of Labor Relations negotiates contracts with limited input regarding the state's financial interest. The Office of Policy and Management has micro-level control over positions. At a larger level, OPM analysts prepare cost sheets and impact analysis regarding negotiation settlements and arbitration awards prior to legislative consideration. The comptroller's office administers payroll and benefits, with little influence over their components. None of these agencies has taken an authoritative leadership role in the effort to address inequities, inefficiencies, or inappropriate facets of the system.

Collective Bargaining

The state adopted collective bargaining for state employees by legislative act in 1975. Instituted to promote better labor relations between management and employees, the process was intended to grant a larger and unified voice to the work force in salary negotiation issues. In 15 years of application, the nature and scope of collective bargaining agreements has had a profound effect on the state's relationship with its employees.

Prior to the establishment of collective bargaining, state employee salary increases were set by the legislature. Since the inception of collective bargaining, the legislature grants approval to fund the negotiated agreements or arbitration awards that specify salary increases, other payments and certain fringe benefits for each bargaining unit.
Actual negotiation for the majority of state employees covered by collective bargaining is the responsibility of the Office of Labor Relations, a subdivision of the Personnel Division. Bargaining units within the higher education system and the Judicial Department typically hire outside negotiators. The Office of Policy and Management also participates in the collective bargaining process by setting preliminary target guidelines for the state's financial position.

Members of the legislature must approve any language in an agreement that contradicts state law or regulation prior to approval. Typically, contracts are reviewed and approved by the Appropriations Committee prior to their acceptance by the full General Assembly.

Critics of the state's relationship with its employee bargaining units attribute increases in the state's personnel costs to the skill and tenacity of union negotiators, and to the "pattern bargaining" system in which each union's negotiators seek a favorable outcome in comparison to the 26 other bargaining new units.

Additionally, critics cite the "hidden cost" of collective bargaining agreements, that is payments of other than salary increases that represent increased expenditure to the state. These costs may include such agreement components as:

- lump sum payments that are based on longevity for employees whose length of service has placed them at the maximum "step" for salary levels;
- payments to employee unions for such purposes as employee education and welfare, training, and job-related activities that address aspects of personnel well-being; and
- shift differentials, overtime arrangements, and special benefits such as clothing, vehicle mileage, or meal allowances, which are negotiated as part of the collective bargaining agreement in addition to straightline salary increases.

It is important to note that a major benefit element, the state's pension agreement, is subject to coalition bargaining, that is, a single agreement is reached between the state and a coalition of its 27 bargaining units. Health care benefits also may be coalition bargained if both parties agree to do so, but this has not occurred.

As previously noted, the flat percentage salary increase of collective bargaining agreements is the single element most often subject to public and media scrutiny and comment, while the additional benefits can be considered "hidden" costs. Given limited data resources
and analytic capacity, it is difficult, if not impossible, during negotiations to accurately estimate the cost of these additional benefits. One employee noted that in such instances, the state can simply "close its eyes and hope that the costs aren't astronomical."

Certain elements spelled out in collective bargaining agreements, such as shift or work week definition, additionally increase work force expenditures. Patterns of employee time off, as reinforced in collective bargaining agreements, can lead to heavy dependence on overtime or shift differential payments. For example, the five day-work/three day-off pattern of correctional officers, coupled with a provision in some facilities that staff get every other weekend off, leads to both scheduling nightmares and heavy utilization of overtime pay.27 For those practices that pre-date collective bargaining, the state has been unsuccessful in negotiating "give-backs" in this area. Agency administrators interviewed for this discussion noted that aspects of employee relationships and utilization that should be considered management prerogative are often controlled by bargaining agreements.

The collective bargaining process has been effective in helping employees achieve regular salary increases. At the same time, the insertion of third parties in the management-labor relationship has fostered a "them-versus-us" mentality.

To the extent that employee benefits are granted, workers attribute their award to union influence, not to management. At a time when private industry is moving toward a more flexible "team approach," the state's employee relationships are increasingly narrowly defined and excessively detailed.

This reality is particularly evident in the definition of fringe benefits, which vary widely across bargaining units. The state's fringe benefit handbook notably illustrates the variance in policy and practice.

- "Vacation leave . . . provisions may vary according to collective bargaining agreements."
- "Individual collective bargaining agreements should be consulted to determine provisions concerning holiday compensation and/or compensatory time off for work performed on a holiday."
- "An employee wishing to establish an alternative work schedule should refer to the appropriate collective bargaining contract . . . ." 28
Contracts also vary in terms of meal reimbursement amounts and mileage reimbursement.

Collective bargaining agreements additionally vary in the treatment of personnel policies. For example, the lead time required for requests for personal leave varies across bargaining units. Because varying bargaining units can operate in a single department, agency personnel staff must expend tremendous effort becoming familiar with and monitoring application of multiple contracts. Their attention must be more on compliance with process than on the efficacy or worth of benefits to agency staff.

Bargaining also limits the ability of the state to react flexibly to changes in service and program requirements. Contracted seniority rights and job retention requirements underscore and complicate the rigidity of the state’s merit system rules and job classification system. Labor contracts additionally mean that to institute changes in personnel policies, the state must return to the bargaining table or wait to address a needed modification at the scheduled renegotiation of the contract.

As union membership declines on a national basis, the private sector has sought new definition of the employee-management relationship and new models of the workplace. Employees of General Motors, seeking contract models for new manufacturing plants, investigated 160 different employer-labor agreements. The conclusion of their report was that "the most successful companies provide employees with a sense of ownership, have few and flexible guidelines, and impose virtually no shop-defining rules." This approach contrasts with the labor-management relationship in Connecticut state government. Unions, rather than management, are seen as responsible for the existence of employee benefits. Decisions regarding personnel development are made by bargaining unit employees, not by state staff, and workplace rules and conditions are rigidly defined. With each round of negotiations, according to Office of Labor Relations staff and state agency leadership, unions seek to incorporate additional components and conditions in contracts.

In 1984, in a report on the state's collective bargaining process, an independent consultant to the Personnel Division noted: "The state has sustained costly labor settlements, with a steady erosion of its management rights."
The issues and problems enumerated in that report largely remain today. The document outlined a diffused process, with an uncoordinated approach to the state’s position on economic matters. The report called for clearer definition of the roles of the Office of Policy and Management in asserting the state’s fiscal position in negotiations. The report also noted a need for greater interchange among state officials in decision making on economic and non-economic issues in pre-negotiation stages.

Other issues raised by that report are currently echoed in comments of agency leadership and union representatives interviewed for this report, who addressed the current bargaining process. Key issues noted in this study that are evident include:

- A higher level of preparedness, and more factual documentation on the part of the unions places the state in a weaker position. The implications of this disadvantage to the state can be magnified in binding arbitration, where the state’s weakened ability to present its case often results in rulings in favor of the union position, according to interviewees.

- A diffused and unclear decision making process within the state’s representation weakens the state’s bargaining position. In discussion of current and recent negotiations, respondents noted that routinely, inadequate information was available to state negotiators regarding agency positions and needs; that sufficient data were not available to state negotiators during the process to estimate the fiscal implications of bargaining points; and that ultimate decision authority was not at the bargaining table at critical junctures.

Mandatory Binding Arbitration

The adoption of mandatory binding arbitration for state employees in 1986 by the General Assembly has additionally changed the character of collective bargaining. Prior to the adoption of mandatory binding arbitration, the state’s statutes governing collective bargaining had lacked a vehicle to resolve impasse in a timely manner. Proponents see arbitration as a means to assure timely resolution of contract disputes; opponents are concerned that it discourages agreement and places decision authority with individuals who have no accountability for the outcome of the arbitration decisions.

Additionally, "final offer" arbitration, the type of binding arbitration allowed in the state’s statute, proves a greater risk for the state than "conventional" arbitration. In conventional
arbitration, which is the accepted practice in six other states, the arbitrator’s decision is made with consideration of both parties’ proposals. The decision generally falls somewhere between both parties’ submission. In Connecticut’s "final offer" arbitration, the arbitrator must choose from each side’s "last best offer" regarding each issue in the dispute. The opportunity for mutual compromise does not exist, and the state risks "losing" on every issue.

The binding arbitration law covering state employees followed passage of binding arbitration laws for municipal employees (passed in 1975) and for teachers (1979). Unlike previous legislation that characterizes the finding of the arbitrator as final and binding, the state employee law allows the legislature, by a two-thirds majority, to reject the arbitration award on the grounds of insufficient state funds. No award has yet been rejected by the General Assembly.

In 1989, the law was amended to require the Appropriations Committee to review and approve binding arbitration agreements. Previously, awards became effective 30 days after their filing with the General Assembly, with or without legislative review.

According to interviewees, the current approval process serves as an impetus for impasse. As discussed previously, binding arbitration awards become final 30 days after their filing.

This acceleration of the benefit awards can also create an excessive administrative burden on the operators of the state’s payroll system in the Comptroller’s office. Staff in that office have a time-limited requirement to program system changes in compensation and benefit amounts. If the award includes "back-dated" payments retroactive to contract expiration, those amounts must also be computed. Because the state’s 27 bargaining units have resulted in essentially 27 different payroll systems with unique components, this task is especially onerous.

Complications in personnel administration due to variance in contract language have been identified at the agency level. In the study of the Departments of Environmental Protection and Agriculture completed for this Commission, the consultant noted that "greater consistency in contract language would streamline the contract administration activities and simplify recordkeeping."
Connecticut’s collective bargaining statute is comparatively broad. It allows employees to negotiate virtually any aspect of the workplace but the merit system. Recently, the state has come under union pressure to include promotional exams and procedures as a mandatory subject of collective bargaining, and hence subject to arbitration in impasse.

While pension benefits are subject to coalition bargaining, virtually every other aspect of employee compensation and workplace condition is subject to negotiation. The net effect of staggered pattern bargaining, with the comparatively large number of units, is a constant series of readjustments. And, while each contract grants comparative equity within bargaining units, it also brings disparity across units.

When visible disparities exist within departments, the pressure to achieve parity -- or to achieve greater awards -- is felt by other employee bargaining units. If the state does not accede to bargaining unit demands, it risks the use of mandatory binding arbitration, where the compelling factor in awards is not the state’s willingness to pay, but its ability to pay through its powers of taxation.

RECOMMENDATIONS

The multiple and intersecting problems of the state’s personnel system require well-considered and dramatic action, but they also demand a new perspective on personnel management. The state’s work force should be approached as a significant and important resource, whose allocation permits the effective operations of state government.

To that end, that work force should be administered from a human resources perspective that protects and fosters this resource, stressing management appreciation and concern for employee welfare and development. This emphasis should be balanced with a determination that this resource will not be wasted through unnecessary deployment, and that its costs will be reasonable and proper.

At the heart of any reform effort is a determination to turn the state’s personnel process into a personnel system. This demands an integration of four major elements of personnel management:
merit system administration,
benefits planning and control,
financial management and cost control, and
labor relations and negotiations.

The unresponsiveness of the current personnel structure to state government's ongoing needs offers every indication that it will be unable to better serve a leaner, more innovative, responsive government.

In a discussion of government reform, one observer noted:

"Hierarchical, centralized bureaucracies simply do not function well in the rapidly changing, information-rich, knowledge-intensive society and economy of the 1990s. They are like luxury ocean liners in an age of supersonic jets: big, cumbersome, and extremely difficult to turn around."34

In transforming the personnel bureaucracy that is spread across multiple agencies, a first step should be its functional and authoritative reorganization. This reorganization should center around a linkage of personnel administrative tasks with fiscal management issues. It should institute a capacity to monitor and control the interrelated personnel functions with their fiscal and operational implications. This means an integrated examination of such system aspects as labor negotiations, compensation levels and policies, the use of health care and workers' compensation, and the ability of the state to measure, project, and manage those costs.

At the core of this reorganization should be the consolidation of personnel administration functions in a Department of Personnel with full cabinet status. That independent agency, directly accountable to the governor, would include the following subdivisions:

Merit System Administration, which would maintain responsibility for such activities as recruitment, testing, classification, salary review, and the provision of technical services to other state agencies;

Human Resources Administration, which would take a lead role in benefits planning, health care cost containment and wellness initiatives, Workers' Compensation, and personnel development;

Financial Management, which would be a fiscal control unit which would be charged with expenditure monitoring, trend analysis, maintenance of personnel-related data bases, performance of research
and evaluation functions, and liaison responsibility to the Office of Policy and Management and the comptroller; and

- Office of Labor Relations, which would maintain its current role in labor negotiation, contract administration, and grievance procedures.

Exhibit III-10 illustrates the suggested organization of the Department of Personnel.

Such a department can serve as the key to more effective and informed cost control, more responsive personnel services, and better labor relations. The centralized focus of the Department of Personnel should permit the performance of the following cost control functions:

- **Unified Policy Development:** The Department of Personnel should be at the center of state government-wide policy development regarding which personnel costs are appropriate and proper. Equally important, the department should develop a uniform guideline for what the state can afford for salary and benefits. This policy can provide a more informed perspective for both executive and legislative branch officials in their oversight of personnel functions and processes.

- **Collective Bargaining:** The department should provide the central focus to develop and coordinate the state’s policy and fiscal position prior to undertaking negotiations. To support this activity, the department should enlarge current personnel research and analytical staff, who should develop adequate, up-to-date data and analytical resources dealing with salary and other costs. All units should have input into the development of a uniform and consistent policy that will serve as the basis for collective bargaining negotiations, incorporating salary, benefit, and workplace issues.

The fiscal basis for labor negotiations must be based on a continuous cycle of budget analysis and personnel cost and trend analysis. In setting the state’s fiscal limits for negotiations, the department should act in partnership with the Office of Policy and Management. OPM can bring to that process an informed, overall perspective on the state’s financial position, as well as its staff’s independent analysis of personnel spending and its implications. That agency’s representatives should play an ongoing role in collective bargaining negotiations, both in developing the state’s pre-negotiation position and in analyzing proposals from both fiscal and policy impact.
Exhibit III-10
SUGGESTED ORGANIZATION OF PERSONNEL SYSTEM

COMMISSIONER

MERIT SYSTEM ADMINISTRATION
- Recruitment
- Testing
- Classification
- Salary Review
- Liaison With Agency Staff
- Technical Services

HUMAN RESOURCES ADMINISTRATION
- Benefits Planning
- Health Care Cost Containment
- Workers' Compensation
- Personnel Development Center
- Management Relations

FINANCIAL MANAGEMENT
- Budget/Cost Monitoring
- Position Approval
- Liaison to OPM, Comptroller
- Data Systems/Management Information Unit
- Research and Statistics

OFFICE OF LABOR RELATIONS
- Negotiations
- Contract Administration
- Grievance Procedures
OJE: The department should provide the leadership to achieve closure on the OJE process, through a system-wide review of its impact and equity. The legislature should resolve the ambiguity associated with the act and clearly define equity. That exercise has demanded a disproportionate share of management attention throughout its lifespan; it has delayed or deferred attention from other routine and special issues.

To the extent that OJE has achieved the social equity envisioned in the original legislation, the state should consider the goal met. To the extent that OJE-created inequities exist, such as the increased compression of the compensation range at managerial levels, the state legislature should move swiftly to seek resolution. In concert with this process, the state should return to a single payline. The review of acceptable and proper compensation for all state jobs should be performed by the department on a routinized revolving review, or as requested by commissioners.

Benefits and Salary Costs: The establishment of a Human Resources Administration function within the department would enable the state to plan for and monitor the expenditure of benefits. In the area of health care, this departmental unit should develop and institute wellness planning on a statewide scale and continue cost containment efforts. Evaluation of costs should include current expenditure monitoring and trend analysis and cost projections.

An immediate priority of this unit should be the resolution of the healthcare "savings penalties" noted in the Commission's DAS study. It should consider the short- and long-term impact of such Commission recommendations as employee costsharing for dependents' healthcare benefits.

The unit should also develop the capacity for long-term benefits planning, including the adoption of "cafeteria style" benefits options. Additionally, it should maintain the capacity to monitor and react to trends in benefits usage and expenditure, such as the dramatic cost increases in workers' compensation, and turn this observation into preventive action.

Overtime: The department's financial management unit, in concert with the merit system administration unit, should develop a means to limit the state's expenditures for overtime. This may include exempting facility employees from the 35-hour work week, and adjusting their base straight time salary to reflect a standard 40-hour week. Where specific facilities or programs demonstrate chronic staffing vacancies, the financial management unit should work with the merit system unit to develop workable alternatives. Any such proposed modifications will then be subject to collective bargaining. For example, the use of a full-
time work week consisting of three 12-hour days, a staffing innovation employed by hospitals, could be such a solution.

- **Unmeasured Costs:** The financial management unit and the Office of Labor Relations should cooperatively examine the administrative burden and oversight costs associated with the state's multiple systems of employee benefits and personnel policies. This should provide the impetus to standardize as many benefit and payment components as possible. It should also reduce the effort required to monitor employee and agency compliance with personnel policies.

  Additionally, the cost implications and lost productivity associated with the cumbersome recruitment, promotion, and position approval process should be researched.

**System Procedural Reform**

The recruitment, examination, and promotional system currently in place in Connecticut has built-in delays and time consuming procedures. As documented in the Commission study of the Department of Administrative Services, a streamlined, more time-responsive capacity to fill agency vacancies is a pressing need. Reform of the personnel system cannot simply address time standards. Equally important are the requirement that a system revision include attention to classification, recruitment, and promotion issues.

The merit system administration unit should, with the input of the Office of Labor Relations, develop fewer, broad banded, more generic, functionally based job classifications, particularly at managerial levels. Testing and promotional criteria should be developed that recognize skills, performance and potential, not just time and experience.

The number of examinations should be minimized, and test elements should be more standardized. The elements of employability should include basic intelligence and skills, and functionally related knowledge. Employees should be recruited to bring skills, dedication and vision to their jobs. On-the-job training should help them learn agency or program-specific policies and procedures.

Job recruitment and testing should be offered on an ongoing basis, reflecting applicant-based timing. With fewer job classifications, the Merit System Administration Unit could more readily offer tests to "walk-in" job applicants who meet basic employability criteria. Candidates
who score highly on examinations or from other non-test criteria, such as ratings of experience and training, should be placed on continuous registers. This will result in a pool of job-ready applicants when agency vacancies occur.

The merit system unit should additionally assist agencies in developing less restrictive job descriptions and in creating more career development tracks and opportunities. The current emphasis on time and experience as a basis for advancement locks employees into narrow career ladders, and results in a system whose employees cannot readily participate in changing demands as government moves into new areas and new programs.

The new emphasis on performance and employee potential should be incorporated into the personnel development and agency training activities of the human resources development unit. This investment in its personnel can make the work force a partner in innovative and responsive government.

The diffused operation of personnel system functions, including merit system administration, fiscal control, and benefits planning, does not serve the state well in times of fiscal adversity or in periods of budget surplus. Current policies do not effectively serve agencies, nor do they enable state employees to have adequate opportunity for true career development within the state personnel system.

Collective Bargaining

The state’s relationship with its collective bargaining units should be built on a consistent and uniform policy position that guides its negotiations. Underpinning that policy should be factual information regarding costs and benefit usage, comparability statistics, and actuarial data. The Office of Labor Relations should be supported with adequate staff and data and analytical resources to proactively enter negotiations, and to respond to the elements of bargaining.

To minimize the cost-acceleration features of collective bargaining and to standardize contract administration, the personnel system should, with the support of the executive branch leadership and the legislature, move to minimize elements of difference among the 27 unit contracts. The state should consider expanding the scope of coalition bargaining to include such elements as a governmentwide, single rate annual salary increase and standardized benefits.
While workplace conditions should continue to be bargained independently, the state should also reexamine the elements of negotiation that are more properly management rights.

The Office of Labor Relations should coordinate all bargaining under the state's single policy. Where that office has traditionally not participated in the bargaining negotiations for faculty and non-faculty professional employees in higher education and employees in the judicial branch of government, its staff should be available to provide policy interpretation to the negotiators selected by these entities, and to assist in providing data and cost information.

The trend toward an increased use of mandatory binding arbitration to resolve impasses in negotiations suggests that further examination of this legislation may be appropriate. At a minimum, the legislature, with the assistance of the personnel system administrator and professionals in the field of labor relations, should investigate the implications of the mandatory binding arbitration legislation, examine alternative processes used in other states and in the private sector, and determine if a need exists for modification of the state's current approach to impasse resolution.

The recommendations set forth in this document are intended to develop a coordinated personnel system, linking human resource management with fiscal control. Because personnel and related costs are a major component of the state's budget, and because personnel policies affect every agency, the elevation of the personnel system to cabinet status is recommended.

Conclusion

The establishment of a financial management unit to analyze, project, and monitor personnel costs should not be viewed as usurping OPM's role in state budgetary oversight. Indeed, OPM's budget analysts should continue to monitor personnel spending as a component of overall agency fiscal analysis; OPM policy staff would continually monitor the personnel department's performance in carrying out the governor's policies. OPM's planning oversight of individual agencies would additionally provide an independent assessment of the appropriateness of each department's personnel utilization within the context of supporting the agency mission.
The development of a financial management and analysis capacity within the new Department of Personnel will strengthen the system's ability to plan and act in a fiscally responsible manner. The centralization of cost analysis for the personnel system within the agency responsible for personnel policy development is an important factor in helping the state to better control its work force expenditures. Like any other agency, the department should be subject to and cooperate with the independent assessment of the Office of Policy and Management in regard to budget and policy matters.

The consolidation and reorganization of the state's personnel system is intended to create a department with leadership in human resource development, work force planning and management, and responsive service to program agencies. Indeed, in a consideration of personnel issues by this Commission, several members suggested that in keeping with trends in the private sector, the new department should be designated as the "Department of Human Resources," and the agency that now holds that title should be called instead, the "Department of Human Services."

The new department's internal performance and its support of other agencies should be subject to the scrutiny and oversight of the state's chief operating officer. As the governor's designate for day-to-day operations monitoring, the COO should oversee the department's relationship with program agencies and should resolve issues of support or responsiveness.

FISCAL IMPACT

Widespread reorganization of the personnel system, and careful reexamination of its functioning are not without significant cost implications. While it is anticipated that no additional staff are required to fulfill reorganized functions, the administrative and analytical effort to develop a new system is sizeable.

More significant are the risks that the state takes in not moving swiftly to gain control of its personnel expenditures.

The Commission's study of the Department of Administrative Services identified a range of $90 million to $132 million in personnel-related savings or cost avoidance that could be achieved by state government within the next five years. Other agency studies have
demonstrated that millions of dollars in overtime costs could be saved annually with appropriate staffing levels and more rational scheduling policies.37

The challenge to state government is to control its personnel costs. Currently, the state spends a higher proportion of its total budget on salaries than most other states. If through cost avoidance and more effective controls, the state could reduce its personnel spending to an average range, at current budget levels, the state would save four percent of its total budget or $299 million.
ENDNOTES


The line item "Personal Services" refers to the salary amounts paid to state employees in the form of wages, overtime and shift differential pay, vacation and sick leave. It does not include the cost of fringe benefits, such as retirement pay or health insurance. Interview with Robert Harris, Assistant Director, Office of Fiscal Analysis, 27 November 1990.

3. The fringe benefit rate for Fiscal Year 1990-91 is 45.56 percent. (Interview with Frank Santaguida, Office of the Comptroller, 5 November 1990.) The state's fringe benefit cost for fiscal Year 1989-90 was $610,489,028. (Data supplied by Nancy Sterns, Analyst, Office of Policy and Management, October, 1990.) The components of fringe benefit payments include the following:
   - Workers' Compensation claims,
   - Unemployment Compensation,
   - Employees Retirement contributions,
   - Higher Education Alternative Retirement,
   - Group Life Insurance,
   - Employer Social Security,
   - Health Insurance Cost,
   - Health Insurance for Retirees,
   - Other Statutory Retirements,
   - Judges and other Compensation Commission Retirement, and
   - Tuition, Training, and Travel Reimbursement.


10. Data provided by the DAS Personnel Division from the Connecticut State Employee Information System, 5 December 1990.


Average comparative earnings are for all state employees "other than education employees." When all state employees are considered (including education employees), Connecticut ranks fifth, after Alaska, the District of Columbia, California, and New York.


Further breakout of average salary by employee groups, according to groupings used in the database, is as follows:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Full Time Positions</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Branch</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collective Bargaining Units</td>
<td>36,614</td>
<td>$29,127</td>
</tr>
<tr>
<td>Executive Branch Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluded from Collective Bargaining (Managerial, Confidential, Exempt)</td>
<td>3,188</td>
<td>$50,368</td>
</tr>
<tr>
<td>Bargaining Units Under the Board of Education</td>
<td>1,148</td>
<td>$37,390</td>
</tr>
<tr>
<td>Higher Education Professional Units</td>
<td>5,026</td>
<td>$43,231</td>
</tr>
</tbody>
</table>
Judicial Branch

Legislative Branch

Other Employee Groups (Conn. Development Authority, Housing Finance Authority, other Non-Collective Bargaining Status)

<table>
<thead>
<tr>
<th>State</th>
<th>Population (in thousands)</th>
<th>Employees Per 10,000 Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Carolina</td>
<td>3,470</td>
<td>211</td>
</tr>
<tr>
<td>Colorado</td>
<td>3,301</td>
<td>156</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>3,242</td>
<td>195</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3,233</td>
<td>183</td>
</tr>
<tr>
<td>Iowa</td>
<td>2,834</td>
<td>197</td>
</tr>
<tr>
<td>Oregon</td>
<td>2,767</td>
<td>182</td>
</tr>
<tr>
<td>U.S. Average, all states</td>
<td></td>
<td>147</td>
</tr>
</tbody>
</table>

The range of employees per 10,000 population extends from 401 employees in both Alaska and Hawaii to 107 in California. The variance is to some extent attributable to the division of duties between state governments and counties and municipalities.

U.S. Department of Commerce, State Government Finances, 1985-1989, Washington, DC: U.S. Government Printing Office. Examination of reported state expenditures over five years indicates that this cost as a percent of total spending has remained fairly static over time. Comparison of Table 10, State Government Expenditure by Character and Object and States from the period 1985 through 1989 from five years' documents shows the following range of spending on salaries and wages as a percentage of total expenditure:
<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. Average</th>
<th>Connecticut</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>18.0</td>
<td>22.1</td>
</tr>
<tr>
<td>1986</td>
<td>17.9</td>
<td>22.1</td>
</tr>
<tr>
<td>1987</td>
<td>17.8</td>
<td>22.1</td>
</tr>
<tr>
<td>1988</td>
<td>17.9</td>
<td>21.9</td>
</tr>
<tr>
<td>1989</td>
<td>18.2</td>
<td>20.8</td>
</tr>
</tbody>
</table>


17. The Office of Labor Relations, Personnel Division, "General Summary of Wage Related Employee Increases," Hartford, CT, October 1990.

18. A more detailed explanation of paylines is part of a larger discussion of the Objective Job Evaluation process in the Commission Study of the Department of Administrative Services, pp. 162-184.

19. Comparative salary statistics provided by the Office of Labor Relations illustrate the impact of OJE as follows:

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Minimum Salary</th>
<th>Minimum Without OJE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurse</td>
<td>$28,718</td>
<td>$26,167</td>
</tr>
<tr>
<td>Assistant Attorney General</td>
<td>$49,262</td>
<td>$42,107</td>
</tr>
<tr>
<td>Accountant</td>
<td>$31,327</td>
<td>$29,060</td>
</tr>
<tr>
<td>Conservation Officer</td>
<td>$32,514</td>
<td>$25,489</td>
</tr>
<tr>
<td>Secretary 2</td>
<td>$22,047</td>
<td>$18,125</td>
</tr>
<tr>
<td>Mental Health Worker</td>
<td>$22,854</td>
<td>$19,124</td>
</tr>
</tbody>
</table>

21. Ibid.

22. DAS Final Report, Executive Summary, p. 16.

23. Interview with Bruce Chamberlain, Management Relations Director, Personnel Division, 9 November 1990.

24. Interview with Michael Hogan, Commissioner, Department of Mental Health, 24 October 1990; interview with Bruce Chamberlain, Management Relations Director, Personnel Division, 9 November 1990. A brief description of the Quality of Worklife Program undertaken with the Health Care Employees Union appears in the Personnel Division "Annual Report, 1989-90," published by the Department of Administrative Services.


29. Frank Swoboda, "The Workplace," The Washington Post, 28 October 1990. "In 1978, union members made up 23 percent of the work force. By the end of the 1980's, that number had dropped to 16.4 percent. Immediately after World War II, union members represented 36 percent of the nation's work force."


According to this research, six of the 15 states with mandatory binding arbitration statutes use conventional arbitration; six (in addition to Connecticut) use some form of final offer arbitration; and two use a combination of the two types.

Only five other states extend mandatory binding arbitration to all state employees. Nine states limit its provisions to certain classes of employees, such as police and correctional
officers. Other states exclude certain issues from arbitration, such as pensions, salaries, and insurance.

33. Department of Environmental Protection Final Report, Hartford, CT, May 1990, p. 76.


35. Rhode Island and Pennsylvania are two states with a dual system of work week hours: in Rhode Island, most employees work a standard 35-hour work week; employees whose work shift is part of a 24-hour pattern have a "non-standard" 40 hour work week. In Pennsylvania, deviation from the standard 37.5 hour work week is for the same purpose. This information was obtained by MAXIMUS staff from a telephone survey of state personnel departments in October 1990.


37. Several studies performed for the Commission include recommendations regarding reduction in overtime expenditures. Studies of the Departments of Mental Health, Mental Retardation, Motor Vehicles, and Correction reference potential savings from minimization of overtime.
INTRODUCTION

Privatization or "contracting out" refers to the transfer of functions previously performed exclusively by government to the private sector. In Connecticut state government, the following are examples of services that have been privatized:

- operation of the commuter rail service between New Haven and New York,
- security services in most of the state office buildings, and
- food services at the state prisons and jails.

Privatization has been recommended as a method to save money and improve efficiency in the government in nine of the reports for this Commission. The cost savings associated with these recommendations total more than $5 million in the first year as depicted in Exhibit III-11. While privatization is not the answer to every governmental service problem, it is an option that state decision makers should consider.

PROBLEMS

There is no mechanism in place for identifying candidates for privatization and no mechanism for evaluating candidates when they are identified. Several factors to consider when evaluating a candidate for privatization are:

- the degree to which delivery of the good or service is considered to be in the public domain,
- the potential for encouraging development of a monopoly, and
- the loss of quality control and accountability through the institution of another layer of management.

There are examples of states that have successfully privatized services. One example is Kentucky, which has contracted for management of its Outwood Mental Retardation Facility to a for-profit firm since 1975. The state budget office recently reported that the facility has the lowest per diem rate of Kentucky's three comparable state facilities.1 In another example, the
### Exhibit III-11
RECOMMENDATIONS RELATED TO PRIVATIZATION

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Study</th>
<th>First Year Savings</th>
<th>Cumulative 5 Year Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract out custodial services</td>
<td>DPW</td>
<td>$807,550</td>
<td>$7,267,958</td>
</tr>
<tr>
<td>Use private contractor for trauma recovery</td>
<td>DIM</td>
<td>$1,500,000</td>
<td>$13,500,000</td>
</tr>
<tr>
<td>Privatization of support services</td>
<td>DMH</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Privatize vehicle safety inspections</td>
<td>DMV</td>
<td>0</td>
<td>$1,680,000</td>
</tr>
<tr>
<td>Increase privatization of emissions inspection stations</td>
<td>DMV</td>
<td>0</td>
<td>$720,000</td>
</tr>
<tr>
<td>Investigation of outsourcing equipment</td>
<td>DOT</td>
<td>0</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Privatize VTSS school lunch program</td>
<td>DOE</td>
<td>0</td>
<td>$493,000</td>
</tr>
<tr>
<td>Privatize regional laundry service</td>
<td>BP/DAS</td>
<td>$300,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Privatize mop and mat cleaning service</td>
<td>BP/DAS</td>
<td>$250,000</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>Expand contracts for on-site food service</td>
<td>DOC</td>
<td>$640,400</td>
<td>$3,909,706</td>
</tr>
<tr>
<td>Contract with a private provider to deliver health services</td>
<td>DOC</td>
<td>$2,700,780</td>
<td>$16,233,032</td>
</tr>
<tr>
<td>The legislature should enable institutional boards to privatize ancillary support services when it is cost effective</td>
<td>BGHE</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>TOTALS</strong></td>
<td><strong>$6,198,730</strong></td>
<td><strong>$52,553,696</strong></td>
</tr>
</tbody>
</table>
Illinois Department of Corrections contracts for the operation of eight of the state’s 20 community correctional centers. The department reported that in 1982, the cost per inmate day in the private centers was $25 as compared to almost $40 in state centers.²

There are barriers to further privatization in Connecticut because of current state collective bargaining laws and agreements, which require the use of in-house staff. The State Employee Relations Act gives state employees the right to be represented in matters of wages, hours, and conditions of employment, which would include issues of layoff, “contracting out”, and re-employment rights. Individual bargaining unit contracts enumerate specific rights.

The state is not prohibited from "contracting out" work under its contracts. However, in cases where specific contract language prohibits layoffs caused by contracting out, vacancies must be established or filled in the state system to absorb the workers displaced by privatization. If no vacancies exist in the state system, workers displaced by privatization must be carried on the payroll, even though the work is being performed by a private firm. In cases where no specific contract language exists, contracting out cannot occur without negotiating with the bargaining unit prior to contracting out the work.

In situations where a service is only partially contracted out, the relatively high salaries of certain classes of state employees limits the potential for savings from privatization. Contract employees may pressure for pay equalization with state employees. A current example of this exists with employees in Connecticut group homes for the mentally retarded.

The most politically difficult issue with privatization is the fate of the public sector employees involved. The understandable concerns of existing employees often is at the heart of the opposition to privatization. Yet the fears of the public workers can be addressed in a number of ways, including attrition and working more cooperatively with labor.

RECOMMENDATIONS

The following steps should be undertaken by the state:

- Establish a mechanism for identifying privatization projects.
- Review barriers to privatization in state laws and regulations.
Design procedures for an evaluation process to determine whether specific privatization proposals represent good public policy. These procedures should include:

- defining the scope of the project,
- assessing options,
- calculating cost and benefit assumptions,
- estimating cost, and
- analyzing management and risk factors.

Protect against service interruptions and monopolies.

Re-bid privatized contracts every three to five years.

Establish specific levels of service and cost performance measures with the option of rebidding the contract if standards are not met.

FISCAL IMPACT

The potential fiscal impact of privatization is $6.2 million in savings in the first year and $52.5 million over five years. This figure represents the implementation of only those projects identified in Exhibit III-11. If more opportunities for contracting out are identified, the total savings to Connecticut could be much higher.
ENDNOTES


2. Ibid., p. 21.
FEDERAL REIMBURSEMENT

INTRODUCTION

Federal dollars received by the State of Connecticut in Fiscal Year 1990-91 will total nearly $1.5 billion. This sum represents various federal allocation payments and grants in support of such governmental functions as education, human services, and transportation. More than half of these federal dollars are paid to the state as reimbursement for the federal share of various welfare programs. Exhibit III-12 illustrates the estimated federal dollars received by the state in Fiscal Year 1989-90, and the appropriation of federal payments for Fiscal Year 1990-91.

As shown in Exhibit III-13, federal dollars flowing to Connecticut for Fiscal Year 1988-89 represent a payment of $489 per capita to state residents. Although Connecticut ranks 25th in total population, it ranks 24th in total dollars of federal aid collections and 16th in federal collections on a per capita basis, according to federal statistics.

Most federal dollars given to states take the form of grants or direct payments. Exhibit III-14 summarizes the six primary forms of grants and other federal assistance payments that accrue to the state’s operating budget, as defined by the Catalog of Federal Domestic Assistance.

In response to recommendations in studies by this Commission relating to federal monies, Governor William A. O’Neill appointed a Task Force on Federal Reimbursement in July 1990. This group was charged to examine the state’s performance in collecting federal dollars and to develop policy recommendations to foster appropriate collections activity.

PROBLEMS

Advocates of a more aggressive reimbursement strategy suggest that by increasing federal participation in funding state government activity, state agencies can expand services without additional burdens on taxpayers. This viewpoint is supported by the following:

- in studies performed for this Commission, particularly those of human services agencies, opportunities for increased federal reimbursement were documented; and
Exhibit III-12
SUMMARY OF FEDERAL FUNDS

<table>
<thead>
<tr>
<th>Function</th>
<th>Estimated 1989-90</th>
<th>Appropriation 1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$ 56,375,488</td>
<td>$ 48,841,000</td>
</tr>
<tr>
<td>Regulation &amp; Protection of Persons &amp; Property</td>
<td>77,035,844</td>
<td>75,785,111</td>
</tr>
<tr>
<td>Conservation and Development of Natural Resources and Recreation</td>
<td>14,394,845</td>
<td>14,069,471</td>
</tr>
<tr>
<td>Health and Hospitals</td>
<td>64,032,862</td>
<td>71,234,746</td>
</tr>
<tr>
<td>Transportation</td>
<td>22,670,680</td>
<td>25,107,633</td>
</tr>
<tr>
<td>Human Services</td>
<td>143,873,968</td>
<td>161,666,893</td>
</tr>
<tr>
<td>Education, Libraries, and Museums</td>
<td>173,802,553</td>
<td>159,245,390</td>
</tr>
<tr>
<td>Corrections</td>
<td>12,900,695</td>
<td>11,549,510</td>
</tr>
<tr>
<td>Judicial</td>
<td>541,396</td>
<td>559,900</td>
</tr>
<tr>
<td>Subtotal - All Functions</td>
<td>$565,628,331</td>
<td>$568,059,654</td>
</tr>
</tbody>
</table>

| FEDERAL FUNDS INCLUDED AS REVENUE (b) |

<table>
<thead>
<tr>
<th></th>
<th>Estimated 1990-91</th>
<th>Appropriation 1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Grants (General Fund) (c)</td>
<td>$ 806,000,000</td>
<td>$ 915,100,000</td>
</tr>
<tr>
<td>Recoveries of Indirect Overhead for Federal Projects (General Fund)</td>
<td>6,500,000</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Miscellaneous Revenue (Urban Mass Transit) (Transportation Fund)</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Subtotal - Revenues</td>
<td>$822,500,000</td>
<td>$931,600,000</td>
</tr>
</tbody>
</table>

**GRAND TOTAL**

|                    | $1,388,128,331 | $1,499,659,654 |

(a) These monies are displayed in the governmental functions where they are expended by state agencies.

(b) These federal payments accrue as revenue to the General Fund and the Transportation Fund.

(c) These monies are primarily reimbursements for welfare benefit and income maintenance payments by the Department of Income Maintenance, including Medicaid and Aid to Families with Dependent Children.

(Source: The State Budget for the 1990-91 Fiscal Year)
### Exhibit III-13
FEDERAL PAYMENTS PER CAPITA, NORTHEASTERN STATES

<table>
<thead>
<tr>
<th>State</th>
<th>Federal Payments Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>$489</td>
</tr>
<tr>
<td>Maine</td>
<td>$548</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$500</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$319</td>
</tr>
<tr>
<td>New York</td>
<td>$655</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>$613</td>
</tr>
<tr>
<td>Vermont</td>
<td>$666</td>
</tr>
</tbody>
</table>

(Source: U.S. Bureau of the Census)
**Exhibit III-14**

**MAJOR FORMS OF FEDERAL ASSISTANCE TO CONNECTICUT**

<table>
<thead>
<tr>
<th>Type of Assistance</th>
<th>Examples of Assistance</th>
</tr>
</thead>
</table>
| o Formula grants allocate money in accordance with a specified formula. Formula criteria may include such elements as state population, income levels, fiscal capacity, specified needs, or a combination of such factors. | o Juvenile Justice Monies  
|                                                                                  | o AFDC  
|                                                                                  | o Unemployment Insurance Funds  
|                                                                                  | o Medicaid |
| o Block grants are similar to formula grants, in that distribution is based on particular criteria. Block grants permit a state to pass on money to local agencies and providers through its own grant distribution processes. Both formula grants and block grants fund activities of a continuing nature and are not limited to a specific project or projects. | o Social Services Block Grant |
| o Project grants, also known as categorical grants, are funded by Congress and appropriated to federal agencies for discretionary distribution, generally through a competitive selection process. Funding is intended for a fixed period of time, and supports specific projects or the delivery of certain services or products. These monies support experimental and demonstration efforts, research and planning, and technical assistance. | o Coordinated Discretionary Grants - Mental Health  
|                                                                                  | o Highway Construction |
| o Direct payments for specified use are financial assistance that subsidize a particular and specified activity or project; their receipt is conditioned on the performance of that activity by the recipient of funds. | o Food Stamps  
|                                                                                  | o Low Income Housing Assistance |
| o Direct loans make federal monies available for a specific period of use. Repayment is expected, although interest may not be charged. Such assistance includes benefits directly realized by individuals and to governmental units. | o Student Loan Programs  
|                                                                                  | o Housing Development for the Elderly or Handicapped  
|                                                                                  | o College Facility Loans |
| o Direct payments with unrestricted use provide federal financial assistance to individuals who meet certain federal eligibility requirements. There is no restriction on how the money is spent by the recipient. | o Supplemental Security Income  
|                                                                                  | o Agricultural Stabilization Payments |

(Source: The Catalog of Federal Domestic Assistance 1990)
o despite the formidable "bottom line" of federal payments currently received by the state, comparative analysis suggests that the state may not be taking full advantage of opportunities to gain all potential federal assistance. As illustrated in Exhibit III-13, among the New England states, only New Hampshire collects less federal assistance per capita than Connecticut. Among New England states, Connecticut ranks slightly below the others in federal revenue collections as a percent of total revenues.

Federal dollars are not without "strings," however. Each federal program has eligibility requirements or use restrictions for the funds it distributes. Accessing federal reimbursement requires that state staff bring to the process sophisticated technical expertise in finance, an understanding of applicable federal policy and regulation, and a broad knowledge of state programs and services in order to estimate the impact of federal funding in the state environment.

Problems associated with the use of federal monies include the following:

o Documentation and audit requirements that exceed existing procedures can place administrative burdens on states. For example, the collection of service provision data for reimbursement under Medicaid and the protocols for staff time reporting to claim administrative costs under that and other federal programs require extensive recordkeeping.

o Grant programs are limited in scope and duration. Intended to promote experimental or demonstration efforts, grant monies rarely extend beyond two years. State agencies may be faced with a significant budget increase in state dollars to maintain efforts when federal support is no longer forthcoming.

o The relative generosity of a federal match payment under a program like Medicaid can be offset when program growth requires ever-increasing state contributions. While the federal government reimburses Connecticut for 50 percent of the cost of services and program administration, the initial expenditure of dollars (currently more than $1 billion per year) is a budgeted state outlay. Expansion of a Medicaid service can increase commensurately the state's expenditure for that service.

o By including services under a federal program like Medicaid, the state's program effort becomes subordinate to federal policy. Where state programs may limit enrollment or scope of services, federal requirements for service access, sufficiency and statewide coverage may expand eligibility significantly. The resultant client growth may strain the state's financial capacity to provide the ever-increasing match dollars. The net effect is an increase in the Medicaid line item in the state's
budget because the entitlement character of the program mandates service coverage to all of those persons so eligible.

Two additional factors characteristic of Connecticut’s state policies and practices serve as disincentives to the aggressive approach to federal revenue maximization. First, revenue maximization in Connecticut’s decentralized administrative structure, with its relatively large number of independent agencies, requires cooperation across agency boundaries. For example, the Department of Mental Retardation cannot act alone to maximize its use of Medicaid dollars for intermediate care facility placements. Staff must also work in concert with their counterparts in the Department of Income Maintenance, the state agency designated with administrative responsibility for the Medicaid program.

Staff in DIM have little incentive to add to their workload with paperwork that has virtually no impact on their own agency’s programs. Staff of DMR have little leverage and are dependent on the cooperation of an agency understandably reluctant to ask for necessary increases in its budget request. The dynamic of cross-agency cooperation serves to limit staffs’ enthusiasm for the protracted planning and negotiation necessary to increase Medicaid claims.

A second disincentive is the inability of agencies to retain increased federal funding within their own budgets. Under current state policies, new monies accrue directly to the General Fund. Because cost claiming documentation is a labor-intensive and sometimes administratively expensive process, and because agencies cannot directly benefit from the additional monies they gain from increased federal reimbursement, they are unlikely to pursue such strategies actively.

This disincentive applies to both direct and indirect cost claims. Not only are agencies unlikely to seek out federal payment or reimbursement share for programs and services, there is also little incentive to actively claim indirect and administrative costs that are allowable under many federal programs. Agency staff further cite their fears that, by increasing federal funds available for program support, their agencies may be subject to a downward adjustment in state dollars dedicated for program support.

Despite the limitations and difficulties associated with federal funding strategies, the state’s current fiscal crisis demands that responsible, aggressive federal reimbursement policies be developed and pursued. Recognizing this, the task force of selected commissioners and
senior state officials studying federal reimbursement practices issued recommendations in December 1990, supporting an enhanced and more coordinated effort toward seeking federal reimbursement.

RECOMMENDATIONS

Through the direct flow of grant and appropriated federal dollars and through the claiming of indirect costs, it is likely that Connecticut can make wider use of federal assistance. In developing its strategy to seek federal assistance more aggressively, a coordinated approach is necessary. Four basic concepts should guide the preferred approach to maximizing the use of federal dollars.

- Connecticut should secure all federal assistance to which the state is entitled.
- The state should explore options to refinance programs and services to maximize the use of federal dollars.
- State staff should identify federal reimbursement initiatives that make sense for Connecticut.
- Every state agency should act with responsible aggression to claim or access federal funds.

It is important that the state pursue an emphasis on claiming new dollars as a substitute for current state expenditures; departments should not seek a "spend a dollar to get fifty cents" approach.

Policy Adoption

The state should adopt a policy that recognizes the value and the limits of federal reimbursement strategies. Specifically:

- expectations for agency performance should be established to assure that all opportunities are responsibly pursued;
- agencies should be permitted to retain a percentage of increased federal revenues for one-time uses; and
- appropriate staff should be assigned specific responsibility for monitoring and pursuing federal reimbursement opportunities.
Establishment of Performance Expectations and Reporting

Agencies should budget their resources in compliance with a policy that stresses federal participation in program support, where possible and appropriate. Budget review in the Office of Policy and Management, prior to submission to the legislature, should include examination of proposed and current agency performance in obtaining federal revenues.

As part of the budgeting process, agencies should report the status of federal dollars within their programs. Actual or anticipated dollars within the current budget year should be reported and their applications summarized. Proposed federal participation for the budgeted year should be described by funding source. The total dollar amount of federal aid, on a per capita basis for each agency’s target population, should also be included in this summary.

Revenue Retention

To encourage agency participation in revenue maximization activity, an incentive should be granted in the form of a revision to General Fund accrual policies. Agencies should be permitted to retain a portion of the monies received through revenue enhancement initiatives for one-time approved expenditures. The ability to apply a portion of new or additional federal dollars gained, beyond a set target based on previous year’s performance, would give agency staff greater impetus to seek out increased federal revenue maximization opportunities.

Staffing Federal Reimbursement Efforts

Each state agency should vest specific staff with responsibility to monitor and pursue federal participation in its programs. Ideally, a periodic review of potential opportunities for federal reimbursement should be an ingrained part of each agency’s administrative practices.
This includes assurance that:

- opportunities for federal reimbursement of direct program and service costs are appropriately considered in program design,
- indirect costs are properly documented and claimed through the indirect cost plan, and
- federal claims rejected as incomplete or in error are accurately and completely pursued toward resolution.

Agency financial management staff, who have first line responsibility for preparing agency financial projections and monitoring fiscal performance, should also assure that agency procedures and documentation support federal reimbursement initiatives.

A Central Unit

The Task Force on Federal Reimbursement has recommended the establishment of a central unit, whose purpose is to direct and assist agencies in seeking federal dollars. That group has suggested that this unit be placed in the Office of Policy and Management.

Such a centralized, top level presence would oversee all agencies' adherence to a policy that stresses federal revenue maximization. Similarly, the office should be vested with responsibility to assure periodic review of the allocation of indirect costs to appropriate federal funding sources, accomplished through the state's indirect cost plan.

Because the oversight of agency adherence to a revenue maximization policy is critical, coordination of interagency cooperation in implementation efforts and negotiation of "retained revenue" percentages must be managed at the most senior levels of state government. The assignment of such monitoring responsibility within OPM offers a practical and plausible approach.

Several other states offer proven models for a centralized staff function in pursuit of additional federal revenues. Massachusetts has established a four-person unit in the comptroller's office as part of a legislatively mandated non-tax revenue initiative. Texas has established a four-person unit in its Washington, D.C. office, with the specific charge of increasing the federal dollars flowing to the state. New York has created an emphasis on federal participation
throughout its human services planning, budgeting and operations monitoring. The state’s policy-directed approach involves all units, rather than a dedicated staff, in achieving federal share of program efforts; the revenue unit takes a leadership role.9

The linkage to a state revenue or budgeting function is important, particularly if the state chooses to reward performance with retention rights or penalize failure to pursue such revenue claiming opportunities as indirect cost claims. Staff of a federal reimbursement unit must perform three functions:

- policy analysis, to determine the likely impact of federal reimbursement strategies on the state’s programs and policies;
- budget analysis, to monitor the fiscal impact of such practices within agencies and in the state as a whole; and
- cost accounting, to review agency indirect claims and cost allocation practices to maximize the potential for federal share.

Further, it is important that the work of such a unit be targeted to result in maximum return on the state’s investment. No staff could provide thorough and consistent monitoring of every federal funding opportunity for state programs.

Indeed, such program-specific knowledge is most effectively the responsibility of agency staff. Rather, the central unit should concentrate its efforts on the two or three areas where federal reimbursement can be achieved most readily at high dollar levels. These areas include the two entitlement programs offering uncapped return on state spending levels, Medicaid and Aid to Families with Dependent Children, plus the area of indirect cost allocation. Additionally, emphasis should be placed on other "big ticket" federal funding sources, including highways and education.10

Use of Consultants

The state may also be served effectively by an ability to marshall resources on an as-needed basis to perform revenue maximization reviews, capacity building, and implementation assistance. This approach has been used in Rhode Island and Florida.11 The use of consultants on a negotiated contingency basis, to be paid a capped percentage of the "new" monies they
identify for state benefit, offers a cost effective strategy for defining new service approaches and resolving outstanding claims balances.

The state should also consider the use of a public policy, fiscal affairs, or management study center at a state university to develop and maintain this capacity in partnership with state government. Under a state-university cooperative agreement, university staff should serve in a consultant capacity on an as-needed, task-directed basis. The use of a state university has certain advantages in claiming federal reimbursement for administrative costs of certain programs.

The net result of any agency-consultant partnership should be the identification of practical and achievable strategies for increased federal dollars that are consistent with state program directions and agency policies. Agency participation in such an exercise can help staff increase their capacity to manage ongoing implementation without outside assistance. At the same time, state staff can maintain normal and routine duties.

FISCAL IMPACT

Additional Costs

The suggested approach for obtaining federal reimbursement for existing expenditures features new or strengthened activities under a coordinated policy, rather than the large scale addition of new positions. The anticipated expense to the state to implement these recommendations should be less than $200,000 per year to hire three staff with policy and budget analysis and cost accounting skills.

By placing primary responsibility for review of revenue maximization opportunities within agencies, it is anticipated that existing financial management staff will assume this role at no additional cost to the state.

The use of consultant assistance on a payment-negotiated contingency basis offers an opportunity to gain technical support for revenue maximization efforts without an initial outlay of state dollars. The payment of consultants on a percentage basis from new dollars obtained by the state in effect means that federal dollars, rather than state money, will buy their expertise.
Additional Revenues

The estimation of fiscal impact from additional federal revenues is difficult to project without a detailed examination of current practices. However, were Connecticut to claim federal reimbursement at a rate commensurate to per capita payments made to Massachusetts ($500 per person per year), the state would realize an additional $37 million per year.

The experience of other states in the region suggests that Connecticut can collect additional federal revenues with the implementation of a responsibly aggressive strategy. More importantly, through assignment of responsibility for opportunity review within agencies and the use of consultants on a contingency basis, this revenue enhancement effort can be accomplished with virtually no outlay of state funds.
ENDNOTES


It should be noted that federal dollars flow to the state in other forms: through federal contracts to the state’s defense industry, salaries paid to federal employees working in Connecticut, operation of federal facilities, and in the form of pension and other benefits paid directly to individuals. These dollars, while significant, are not addressed in this discussion, in that they are beyond the scope of state government’s ready influence.

4. These figures are for the Federal Fiscal Year 1989, the most recent year for which comparative statistics are available. It should be noted that per capita measures are a convenient, but incomplete measure of federal assistance to states. Federal assistance is predicated on various and disparate factors, including population, poverty rates, varied federal reimbursement rates, the uses of federal dollars and certain state policies. For example, Medicaid reimbursement, a major component of federal revenues in all states, is affected by such factors as the state’s rate of federal share, the state’s policies regarding inclusion of various optional services in its plan, limitations of coverage, the cost of Medical services within the state, and its ability to fund the program.

For purposes of comparison, the average expenditure per recipient under the Medicaid program in Fiscal Year 1988-89 (the most recent year for which these data have been published) for the states used in the per capital federal reimbursement is as follows:

- Connecticut $1,129
- Maine $1,406
- Massachusetts $2,333
- New Hampshire $2,464
- New York $2,656
- Rhode Island $1,600
- Vermont $1,734

Federal aid can also reflect the state’s spending priorities and opportunities. Major areas of federal assistance for the New England states and New York in Fiscal Year 1988-89 included the following:

<table>
<thead>
<tr>
<th></th>
<th>Public Welfare</th>
<th>Education</th>
<th>Health &amp; Hospital</th>
<th>Highways</th>
<th>Employment Security Admin.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>658,354,000</td>
<td>205,240,000</td>
<td>150,997,000</td>
<td>376,667,000</td>
<td>56,250,000</td>
</tr>
<tr>
<td>Maine</td>
<td>369,627,000</td>
<td>90,129,000</td>
<td>32,467,000</td>
<td>63,428,000</td>
<td>19,439,000</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>1,711,996,000</td>
<td>391,402,000</td>
<td>83,966,000</td>
<td>241,289,000</td>
<td>84,310,000</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>136,679,000</td>
<td>68,595,000</td>
<td>10,295,000</td>
<td>54,119,000</td>
<td>11,927,000</td>
</tr>
<tr>
<td>New York</td>
<td>8,362,395,000</td>
<td>1,097,222,000</td>
<td>282,201,000</td>
<td>642,416,000</td>
<td>278,827,000</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>306,693,000</td>
<td>76,609,000</td>
<td>24,301,000</td>
<td>111,412,000</td>
<td>21,814,000</td>
</tr>
<tr>
<td>Vermont</td>
<td>170,160,000</td>
<td>64,274,000</td>
<td>20,423,000</td>
<td>56,802,000</td>
<td>7,443,000</td>
</tr>
</tbody>
</table>


5. Federal collections as a percentage of all revenues for New England states and New York for Fiscal Year 1989 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>17.5</td>
</tr>
<tr>
<td>Maine</td>
<td>21.2</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>18.5</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>19.2</td>
</tr>
<tr>
<td>New York</td>
<td>19.4</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>20.7</td>
</tr>
<tr>
<td>Vermont</td>
<td>24.7</td>
</tr>
<tr>
<td>U.S. Average</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Data from Bureau of the Census, State Government Finances in 1989, p. 8.


7. Interview with Steven Genova, Manager, Non-Tax Revenue Unit, Office of the Comptroller, Commonwealth of Massachusetts, 14 November, 1990.

The Massachusetts unit was established through statute, at the behest of the state’s legislature, which appropriated funding for its operation. It is part of a statewide Non-tax Revenue Initiative, charged with seeking additional monies for the state other than
by raising tax rates. Mr. Genova’s staff of four includes accounting specialists and policy analysts.


The office staff includes in addition to the director, an attorney and two analysts. The office was founded in response to legislative concerns that the state’s share of federal reimbursement was too low. The unit seeks opportunities for discretionary grants, reviews federal legislation, and prepares related fiscal notes for state agencies. A major focus is lobbying for modification of grant formulas to increase the state’s share. Like the Massachusetts office, the group’s continuing operation is contingent on continued funding appropriation.

9. Interview with Richard Billera, Director, Bureau of Cash Management, Division of Administration, New York State Department of Social Services, 14 November 1990.

Mr. Billera notes that the State of New York has actively pursued federal participation at maximum levels since the 1970s. He attributes the state’s relative success to the inclusion of federal participation targets and goals within each agency’s mission, and to a reward and penalty capacity. Through special appropriations authority, the Department of Social Services rewards increased collections through revenue retention policies; agencies and vendors whose performance does not meet targeted goals are penalized. Heavy emphasis is placed on line staff performance in properly documenting client eligibility for federal programs, through audit reviews. Additionally, agency indirect claims and cost allocation practices are reviewed thoroughly on a quarterly basis.

10. Interview with Dick Miller, Senior Fellow for Intergovernmental Finance, National Association of State Budget Officers, Washington, D.C., 14 November 1990.

Mr. Miller suggested that Medicaid and AFDC should be the primary focus of any state’s emphasis on increasing federal payments. Mr. Miller additionally administers the Federal Funding Information Service, a database listing federal payments to states.

11. Rhode Island and Florida are two states that have no central unit or designated staff for federal reimbursement purposes.

Interview with Peder Schaefer, Budget Analyst, Division of Management Services, Rhode Island Department of Human Services, 14 November 1990. Rhode Island policy is that agency budget analysts take responsibility for seeking out federal funding. Agencies may contract for consultant assistance.

Interview with Thomas Sealey, Accounting Services Director, Office of Revenue Management, Florida Department of Health and Rehabilitative Services, 19 November 1990. Florida similarly has not designated a centralized staff responsibility for federal reimbursement purposes. The state has used, and is now using, consultant assistance in these matters.
USE OF CONSULTANTS

INTRODUCTION

During 1988, the Legislative Program Review and Investigations Committee examined the use of outside consultants by state agencies. This study found that in Fiscal Year 1987-88 there were 1,048 active consultant contracts with a face value of approximately $93.2 million. Records assembled by the Office of Policy and Management for Fiscal Year 1990-91 show that the total expected to be spent on consultants will be nearly $112 million. Exhibit III-15 shows a breakdown of these payments to consultants by category.

Exhibit III-15
1990-1991 BUDGET - CONSULTANTS

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical and Legal</td>
<td>$36.2 million</td>
</tr>
<tr>
<td>Engineering</td>
<td>$.2 million</td>
</tr>
<tr>
<td>Management</td>
<td>$15.9 million</td>
</tr>
<tr>
<td>Interagency Services</td>
<td>$9.8 million</td>
</tr>
<tr>
<td>Per Diems</td>
<td>$15.8 million</td>
</tr>
<tr>
<td>Other</td>
<td>$33.8 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$111.7 million</strong></td>
</tr>
</tbody>
</table>

(Source: Office of Policy and Management)

Several times in recent years, the General Assembly has reduced appropriations for consultants in the state budget. The perception then, and to some extent now, was that there have been excessive expenditures for consultants.

PROBLEMS

Although it appears that expenditures for consultants are excessively high, there is confusion about the definition of "consultant." A consultant is usually thought of as an expert in providing advice and recommendations to management. However, in Connecticut, the appropriation code applied to consultant includes many other types of services.
Guidelines for the procurement of consultants were adopted in Public Act 89-122 and are generally sufficient. The principal deficiency is the failure to require a cost benefit analysis by an agency prior to entering into a contract with a consultant. In addition, the guidelines only apply to the executive branch, excluding the Department of Transportation and some functions in the Department of Public Works.

RECOMMENDATIONS

In order to clarify the many recommendations regarding the use of consultants in this Commission’s agency studies and to provide for a more narrow framework to address consulting issues, it is recommended that the following categories of personal service agreement contracts be eliminated from the category of consultants in the state’s accounting system:

- personnel training, testing, or evaluation;
- architectural, engineering, and other design services;
- communications advice and assistance, including public relations, advertising, and publicity; and
- direct operation of programs (such as the state lottery and vehicle emission testing).

Under "consultant" the following sub-categories should be defined:

- management advice and assistance;
- automated data processing advice and assistance, including system design, development, conversion, analysis, and related programming;
- preparation of plans, reports, or manuals;
- conducting research or studies, internal audits, financial audits, and program evaluation; and
- other (consulting services that do not fall into the categories identified).

The Office of Policy and Management and the comptroller should work together to modify the state accounting system to accommodate both the contractor and consultant categories along with their subcategories. OPM should perform an annual review of contracting
expenditures by category to determine if trends warrant further investigation or if other categories need to be defined.

In procuring consultants, agencies should prepare a cost-benefit analysis as part of the request.

A review should be made of all existing consultant contracts. Those in which the work could be performed by a state employee should be terminated as well as those contracts for which no cost justification could be identified. This review should be performed by the contracting agency as it re-codes the types of contracts, and it should be supervised and audited by OPM.

Public Act 89-122 should be expanded to include all executive branch agencies.

Finally, to the extent that retired state employees are returning to work as paid consultants, their consulting tenure should be limited. Currently, employees can return to work as consultants without restriction, while claiming full retirement benefits. A limit of 120 days of paid consultant time in the first two years of retirement should be incorporated into the state's personnel policies.

FISCAL IMPACT

Measures have already been taken to reduce the use of consultants in Connecticut. As a result of the Legislative Program Review and Investigations Committee study, the state reduced its expenditures on consultants by approximately $10 million in Fiscal Year 1989-90. Also as a direct result of a survey conducted by this Commission, another $3.5 million in potential expenditures were eliminated for Fiscal Year 1990-91.
ENDNOTES


SECTION IV: AGENCY STUDY SUMMARIES

This section of the report summarizes the findings and recommendations of the Commission's 18 studies of 35 separate agencies and programs. The summaries, which appear in alphabetical order by individual agency and program, present narrative information and cost and legislative data.

Each narrative summary follows an identical format. A synopsis of the agency mission or purpose is presented, followed by an explanation of the current fiscal year's budget and a brief discussion of major issues affecting current departmental operations. Key recommendations are presented as well as the factors that affect implementation of the recommendations. A table lists all of the recommendations from the study that require legislation or have specific monetary costs or savings.

The studies undertaken by this Commission are listed in the order of their performance in Exhibit IV-1. That exhibit also identifies the consultant organization that performed the agency review, the length of the study, and the cost.
<table>
<thead>
<tr>
<th>STUDY</th>
<th>LENGTH (months)</th>
<th>CONSULTANT</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Support Enforcement</td>
<td>2</td>
<td>MAXIMUS, Inc.</td>
<td>$134,791</td>
</tr>
<tr>
<td>Bureau of Purchases</td>
<td>3</td>
<td>Deloitte &amp; Touche</td>
<td>$179,500</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>4</td>
<td>Price Waterhouse</td>
<td>$199,900</td>
</tr>
<tr>
<td>Administrative Services</td>
<td>4</td>
<td>Deloitte &amp; Touche</td>
<td>$275,500</td>
</tr>
<tr>
<td>Mental Health/Mental Retardation</td>
<td>4</td>
<td>Deloitte &amp; Touche</td>
<td>$194,035</td>
</tr>
<tr>
<td>UCONN Health Center</td>
<td>2</td>
<td>KPMG Peat Marwick</td>
<td>$137,280</td>
</tr>
<tr>
<td>Income Maintenance/Human Resources</td>
<td>4</td>
<td>Deloitte &amp; Touche</td>
<td>$240,500</td>
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<tr>
<td>Labor</td>
<td>2</td>
<td>MAXIMUS, Inc.</td>
<td>$160,137</td>
</tr>
<tr>
<td>Environmental Protection/Agriculture</td>
<td>3</td>
<td>KPMG Peat Marwick</td>
<td>$178,800</td>
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<tr>
<td>Transportation</td>
<td>3</td>
<td>Ernst &amp; Young</td>
<td>$197,789</td>
</tr>
<tr>
<td>Housing</td>
<td>2</td>
<td>MAXIMUS, Inc.</td>
<td>$143,625</td>
</tr>
<tr>
<td>Higher Education</td>
<td>5</td>
<td>MGT of America</td>
<td>$315,625</td>
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<tr>
<td>Education/State Library/Board of Education and Services for the Blind</td>
<td>4</td>
<td>KPMG Peat Marwick</td>
<td>$220,510</td>
</tr>
<tr>
<td>Final Report Assistance</td>
<td>6</td>
<td>MAXIMUS, Inc.</td>
<td>$406,093</td>
</tr>
<tr>
<td>Correction/Public Safety/Public Works</td>
<td>5</td>
<td>MAXIMUS, Inc.</td>
<td>$323,339</td>
</tr>
<tr>
<td>Revenue Services/Special Revenue/Economic Development</td>
<td>4</td>
<td>KPMG Peat Marwick</td>
<td>$273,160</td>
</tr>
<tr>
<td>Office of Policy &amp; Management</td>
<td>3</td>
<td>KPMG Peat Marwick</td>
<td>$210,000</td>
</tr>
<tr>
<td>Judicial/Public Defender Services/Criminal Justice/County Sheriffs</td>
<td>5</td>
<td>MAXIMUS, Inc.</td>
<td>$346,598</td>
</tr>
<tr>
<td>Health Services/Connecticut Alcohol and Drug Abuse Commission/Veterans' Affairs/Aging/Consumer Protection</td>
<td>5</td>
<td>MGT of America</td>
<td>$263,918</td>
</tr>
</tbody>
</table>
BOARD OF EDUCATION AND SERVICES FOR THE BLIND

MISSION

Provide educational, rehabilitation, and social services to assist blind adults and blind and visually impaired children to acquire the skills and support services necessary to function with independence in their home, family, social, and vocational environments.

FISCAL YEAR 1990-91 BUDGET

Total budget of $16.3 million, with a General Fund appropriation of $12.4 million, federal contributions of $2.6 million, and non-appropriated special funds of $1.3 million.

MAJOR ISSUES

The state of Connecticut has provided comprehensive services to its blind citizens for 97 years. Connecticut’s Board of Education and Services for the Blind (BESB) is highly respected for the scope and quality of services it provides. There is no single method of service delivery to the blind that is universally accepted or practiced by state governments. Alternative organization structures to BESB that may assist in cost reduction include the transference and consolidation of children’s services to the Department of Education or the creation of a commission.

MAJOR RECOMMENDATIONS

- Consider the creation of a Commission for the Blind and Visually Impaired. This will encourage the growth of non-profit organizations providing services for the blind and allow the state to reduce its costs while delivering more services to the blind.

- Develop a means test, criteria for expenditures, and a sliding fee scale for the provision of equipment (materials, aids, devices).

- Develop a means scale and a sliding fee scale for other selected services (for example, orientation and mobility, vocational training, post-secondary school tuition, client transportation, and supported community service programs).
Develop alternative methods of service delivery to decrease travel time and associated expenses:

- Conduct initial intake by telephone and develop a screening mechanism to determine whether a home visit is required.
- Consider using central locations (community centers, town halls) for "local office" visits.

Utilize the Department of Education's service delivery methodology to provide special education services.

Apply for Medicare/Medicaid reimbursement for low vision services.

Eliminate state funding of leisure and recreational programs and encourage delivery of these services by non-profit organizations.

Develop criteria adequate to describe program performance and effectiveness, including detailed training and placement data, productivity of service provision, quality of service provided, and client satisfaction surveys.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $468,000; total savings through Fiscal Year 1994-95 are $4.3 million.

IMPLEMENTATION STRATEGIES

In order to revise the organizational structure of the board to that of a commission, legislative action is necessary. Implementation also requires the involvement of the Department of Education, the Department on Aging, the Office of Policy and Management, and the Department of Human Services. Changes to the service delivery and funding of children's services also require legislative action. The current system for allocating funds for blind students and the degree of overlap between the funds provided by BESB and the Department of Education for special education should be reviewed.
### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$0</td>
<td>$468,000</td>
<td>$956,000</td>
<td>$1,329,000</td>
<td>$1,517,000</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td>$0</td>
<td>$468,000</td>
<td>$1,424,000</td>
<td>$2,753,000</td>
<td>$4,270,000</td>
</tr>
<tr>
<td>1. Utilize Department of Education’s service delivery methodology for special ed.</td>
<td>Y</td>
<td>$0</td>
<td>$290,000</td>
<td>$580,000</td>
<td>$780,000</td>
</tr>
<tr>
<td>2. Phase out Work Center and Home Industries programs</td>
<td>Y</td>
<td>$0</td>
<td>$0</td>
<td>$198,000</td>
<td>$396,000</td>
</tr>
<tr>
<td>3. Eliminate subsidy for Harkness vacation</td>
<td>N</td>
<td>$0</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>4. Apply for Medicare/Medicaid reimbursement for low vision services</td>
<td>N</td>
<td>$0</td>
<td>$45,000</td>
<td>$45,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>5. Conduct intake by phone</td>
<td>N</td>
<td>$0</td>
<td>$113,000</td>
<td>$113,000</td>
<td>$113,000</td>
</tr>
</tbody>
</table>
BUREAU OF PURCHASES

MISSION

Direct the procurement of supplies and materials, furniture, equipment, and contractual services for state agencies.

FISCAL YEAR 1990-91 BUDGET

$3.2 million in state funds, including a $1 million allocation in the form of the Purchasing Revolving Fund.

MAJOR ISSUES

The total dollars affected by the policies of the Bureau of Purchases are actually much greater than the dollars appropriated to the bureau. As purchasing agent for other state departments and the procurement policy maker, the bureau's actions can result in significant savings within all state agencies. Accordingly, it becomes critical to review and evaluate the effectiveness of the bureau's policies and standards that can affect all state agencies.

MAJOR RECOMMENDATIONS

○ Improve fleet utilization and reduce the number of low utilization vehicles within the fleet by 500-750 vehicles.

○ Consolidate statewide vehicle maintenance.

○ Increase the use of state courier services for inter-agency mailings.

○ Pursue additional purchases direct from manufacturers; bid office supplies for direct servicing of end user agencies; evaluate potential to privatize forms management; and partially eliminate agency "satellite" warehouses.

○ Contract out the mat and mop cleaning service.

○ Bid the regional laundry service.

○ Develop contracts for the purchase of miscellaneous data processing supplies, office supplies, express delivery services, and other items not currently purchased under statewide contract.

○ Improve inventory management.

○ Establish business case justification for each data processing procurement.

○ Develop an improved management reporting system.
o Increase product standardization and simplification.
o Reduce managerial positions and implement organizational structure changes.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $9.4 million; total savings through Fiscal Year 1994-95 are $44.7 million.

IMPLEMENTATION STRATEGIES

The achievement of cost savings opportunities identified in this study are to some extent dependent on the actions of other state agencies. For example, the reduction of fleet size will require the cooperation of other agencies in limiting the number of assigned vehicles. In further developing privatization and modifying purchasing processes, savings will be affected by vendor bid amounts.
# Bureau of Purchases – DAS

**CONSULTANT:** Deloitte & Touche

## PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$4,279,000</td>
<td>$9,452,000</td>
<td>$10,319,000</td>
<td>$10,319,000</td>
<td>$10,319,000</td>
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<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$4,279,000</td>
<td>$13,731,000</td>
<td>$24,050,000</td>
<td>$34,369,000</td>
<td>$44,688,000</td>
</tr>
</tbody>
</table>

1. Improve fleet vehicle utilization (reduce fleet by 625 vehicles)
   - N
   - $1,889,000
2. Consolidate statewide vehicle maintenance
   - N
   - ($2,750,000)
3. Increase DAS courier utilization
   - N
   - $225,000
4. Purchase goods and supplies directly from manufacturers (central warehouse)
   - N
   - $500,000
5. Improve inventory management
   - N
   - ($75,000)
6. Privatize regional laundry service
   - N
   - $300,000
7. Privatize mop & mat cleaning service
   - N
   - $250,000
8. Develop statewide contracts for data processing supplies, office supplies, other
   - N
   - $2,600,000
9. Freeze data processing procurement; reform procurement practices
   - N
   - $100,000
10. Improve standardization of purchases
    - N
    - $400,000
11. Reduce managerial, other positions: organizational structure changes
    - N
    - $240,000
12. Re-evaluate small business set asides
    - N
    - $600,000

* Capital cost of $3.0 million estimated to modernize existing laundry.

IV-9
CHILD SUPPORT ENFORCEMENT

MISSION

The Child Support Enforcement (CSE) program is a federally mandated, federally supervised initiative to assure collection of legal obligations for parental support of children. The program reclaims monies paid by the federal government and states in the form of Aid to Families with Dependent Children (AFDC) grant payments and other public assistance to custodial parents and children. Additionally, the program provides support enforcement services to parents who are not public assistance recipients to minimize the potential for welfare dependence.

FISCAL YEAR 1990-91 BUDGET

The total program cost across all participating agencies is $18.5 million. The federal share of program operations is 66 percent or $12.2 million, with a net cost to the state of $6.2 million.

MAJOR ISSUES

Child Support Enforcement is administratively complex. The Department of Human Resources is the designated lead agency for program administration. Program operation requires the involvement of the Department of Human Resources, the Department of Income Maintenance, the Judicial Department, the Office of the Attorney General, the Bureau of Collection Services, the Bureau of General and Technical Services, and the Department of Public Safety.

The program’s basic functions, a blend of social, investigative, judicial, and administrative services, are mandated by the federal government. State participation in the CSE program is a prerequisite for federal assistance under the AFDC program.

In terms of operational efficiency, the program is handicapped by its diffusion. Its effectiveness demands full cooperation by six separate governmental units. Additionally, the program has been hampered by inadequate technology -- insufficient equipment and an underpowered information system.
MAJOR RECOMMENDATIONS

- Increase overall program effectiveness and efficiency by consolidating program operations under the Department of Human Resources and holding that agency accountable for all program operations.
- Improve collections by increasing the number of paternities established from 3,550 per year to 5,500 per year.
- Increase collections by preparing support order modifications in an additional 21,000 cases per year.
- Increase the number of cases under wage withholding orders from fewer than one-third to more than one-half of all cases.
- Implement the automated enforcement module of the child support computer system to provide speedier and more effective remedial actions and increased collections.
- Increase foster care referral to reclaim parental support for children in state custody.
- Transfer non-AFDC payment processing to the Bureau of Collections Services to consolidate operations and to make more efficient use of staff resources.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings and increased revenues are $25.2 million; total savings and increased revenues through Fiscal Year 1994-95 are $95.1 million.

IMPLEMENTATION STRATEGIES

The consolidation of program operations, which requires legislative approval, is the key to achievement of these recommendations. Staffing reassignments and realignment of organizational roles across agencies are major elements of these recommendations. By broadening its accountability for program operations, the Department of Human Resources will more directly control program operations. Significant programming and equipment improvements are regularly required in automated system support for program operations in order to meet performance standards set by the federal government.
# Child Support Enforcement (CSE)

**CONSULTANT:** MAXIMUS, Inc.

## PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$15,210,383</td>
<td>$25,198,430</td>
<td>$16,179,322</td>
<td>$17,127,807</td>
<td>$21,407,891</td>
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<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$15,210,383</td>
<td>$40,408,813</td>
<td>$56,588,135</td>
<td>$73,715,942</td>
<td>$95,123,833</td>
</tr>
</tbody>
</table>

1. **Consolidate CSE Program in DHR**
   - 1990-91: $455,000
   - 1991-92: $455,000
   - 1992-93: $455,000
   - 1993-94: $455,000
   - 1994-95: $455,000

2. **Transfer non-AFDC payment process to Bureau of Collection Services**
   - 1990-91: $1,085,124
   - 1992-93: $1,223,557
   - 1993-94: $1,345,912
   - 1994-95: $1,480,504

3. **Increase number of paternities established**
   - 1990-91: $1,189,280
   - 1991-92: $2,766,901
   - 1992-93: $4,555,766
   - 1993-94: $6,578,813
   - 1994-95: $8,858,442

4. **Increase efforts to obtain modifications of support orders**
   - 1990-91: $1,114,731
   - 1991-92: $1,258,793
   - 1992-93: $3,019,032
   - 1993-94: $1,874,254
   - 1994-95: $3,790,787

5. **Implement automated enforcement module of the CCSES system**
   - 1990-91: $2,614,324
   - 1991-92: $6,290,248
   - 1992-93: $6,120,849
   - 1993-94: $6,029,220
   - 1994-95: $5,936,929

6. **Increase number of cases under wage withholding orders**
   - 1990-91: $8,019,924
   - 1991-92: $12,547,403
   - 1992-93: $0
   - 1993-94: $0
   - 1994-95: $0

7. **Increase foster care referrals**
   - 1990-91: $732,000
   - 1991-92: $767,760
   - 1992-93: $805,118
   - 1993-94: $844,608
   - 1994-95: $886,229

---

* * Legislation did create Division of Support Enforcement within Superior Court.
1 = Public Act 90-213
2 = Public Act 90-132

**Note:** Amounts on these lists refer to total savings, which are split roughly 80% state and 20% federal.
CONNECTICUT ALCOHOL AND DRUG ABUSE COMMISSION

MISSION

Plan, develop, maintain, coordinate, fund, and provide services to prevent the occurrence of substance abuse problems and to ensure that treatment and rehabilitation are available for those who need it; comprehensive substance abuse planning, inter-agency coordination, and funding.

FISCAL YEAR 1990-91 BUDGET

Total budget of $63.8 million, including $45.2 million in General Fund dollars, $18 million in federal funds, and $600,000 in private contributions.

MAJOR ISSUES

A lack of consensus exists as to the mission of the Connecticut Alcohol and Drug Abuse Commission (CADAC). At least 10 agencies administer substance abuse programs, resulting in a lack of coordination. In addition, the commission's organizational structure lacks accountability, and the role of the executive director is unclear.

The regional system has received mixed reviews. On the one hand, it is a means of increasing funding to the local level and enhancing community responsibility. On the other hand, it is a drain on resources, competing with local fund raising efforts.

Program support systems, such as management information systems, are inadequate or nonexistent. No data or systems exist to justify funding or staffing. Similarly, contract and grants monitoring is insufficient, thus weakening CADAC's authority to justify and control expenditures.

A lack of uniformity in the method of payment for substance abuse services by various state agencies makes it difficult to assess the cost implications of services provided. No cost per service analysis is performed.

The practice of using federal carryover funds for non-recurring costs may lead to a budget shortfall unless ongoing sources of revenue are identified. The most costly form of transportation -- ambulance services -- is legislatively mandated to transport alcohol abusers to and between programs.
No uniform statewide system exists to integrate public and private substance abuse programs. Prevention programs are not perceived as high priority, and little recidivism data, especially for the Pretrial Alcohol Education System (PAES), are available.

Alternate forms of funding, such as maximization of Medicaid funding and federal grants, have not been explored.

MAJOR RECOMMENDATIONS

- Clearly delineate CADAC's role and responsibilities in substance abuse planning, program operation and coordination, and allocation of funds. Better integrate statewide substance abuse planning, and give CADAC responsibility for both prevention and treatment.
- Eliminate 15 regional action committees and shift focus to five regional planning boards, and establish a model services array for each region.
- Complete the development of a management information system for both programs and administration with the ability to link essential data.
- Strengthen program and fiscal monitoring along with CADAC's ability to justify and control expenditures.
- Determine the actual cost per service for CADAC-funded programs. Develop a fee for service system, and create a task force to study payment methods and the cost implications.
- Use federal carryover money for non-recurring purposes only.
- Develop a more efficient and effective service delivery system based on a fully defined service array, databased case management, and flexibility at the local level. Rely on the least cost/least restrictive/most appropriate environment based on a continuum of care.
- Give priority to prevention programs by increasing funding from 3.7 percent to 15 percent of CADAC dollars.
- Evaluate the PAES program by examining recidivism rates, and raise fees for the program.
- Identify and procure federal and private grants money to be used for non-recurring programs.
- Give additional study to such issues as minority hiring, staff training, expenditure of federal funds within the fiscal year, and extending agency capability in specialized areas.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $11.3 million; total savings through Fiscal Year 1994-95 are $51.5 million.

IMPLEMENTATION STRATEGIES

Major efforts need to be made to clarify the role, improve the governance structure, and improve administrative processes of CADAC. This requires legislative action, inter-agency coordination and cooperation, and internal organization.
# Connecticut Alcohol and Drug Abuse Commission

CONSULTANT: MGT of America, Inc.

## PROJECTED NET SAVINGS/REVENUE INCREASES

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</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$2,172,400</td>
<td>$11,777,400</td>
<td>$11,677,400</td>
<td>$12,677,400</td>
<td>$13,677,400</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td>$2,172,400</td>
<td>$13,449,800</td>
<td>$25,127,200</td>
<td>$37,804,600</td>
<td>$51,482,000</td>
</tr>
</tbody>
</table>

1. Eliminate 15 subregions
   - $200,000
   - $825,000
   - $1,125,000
   - $1,125,000
   - $1,125,000

2. Use federal carryover for non-recurring purposes
   - $0
   - $0
   - $0
   - $0
   - $0

3. Eliminate ambulance as transportation service
   - $0
   - $500,000
   - $2,000,000
   - $2,000,000
   - $2,000,000

4. Develop non-ambulance transport system
   - N
   - $0
   - ($500,000)
   - ($1,000,000)
   - ($1,000,000)

5. Eliminate fifth treatment center
   - Y
   - $0
   - $3,300,000
   - $3,300,000
   - $3,300,000
   - $3,300,000
   - -- projected operations
   - -- renovation
   - $2,000,000
   - $0
   - $0
   - $0
   - $0

6. Develop sobering up centers
   - N
   - $0
   - $3,250,000
   - $3,250,000
   - $3,250,000
   - $3,250,000

7. Increase PAES fees
   - Y
   - $0
   - $2,500,000
   - $2,500,000
   - $2,500,000
   - $2,500,000

8. Establish temporary grants position
   - N
   - ($30,000)
   - $0
   - $0
   - $0
   - $0

9. Restructure Commission
   - Y
   - $2,400
   - $2,400
   - $2,400
   - $2,400
   - $2,400

10. Establish management information system
    - N
    - $0
    - ($1,000,000)
    - ($2,000,000)
    - ($1,000,000)
    - $0

11. Conduct prevalence study
    - Y
    - $0
    - ($100,000)
    - $0
    - $0
    - $0

12. Renegotiate Union Contracts
    - Y
    - $0
    - $2,500,000
    - $2,500,000
    - $2,500,000
    - $2,500,000
COUNTY SHERIFFS

MISSION

Detain offenders, maintain order, sequester jurors, and ensure the safety of court personnel, plaintiffs, defendants, and the general public by controlling the conduct of participants and visitors in criminal and civil proceedings in a courtroom or courthouse.

FISCAL YEAR 1990-91 BUDGET

A General Fund appropriation of $17.5 million comprises the total budget.

MAJOR ISSUES

The provision of courthouse security and prisoner transportation services is carried out by eight autonomous systems, each associated with a state county. Program operation requires the involvement of the Department of Correction and the Judicial Department.

In terms of operational efficiency, the program is handicapped by its diffusion. Its effectiveness demands full cooperation by each sheriff's office with the Judicial and Correction departments. Coordination across these three agencies, plus scheduling with the state's attorneys and public defenders, is difficult and requires undue work.

Additionally, the program has been hampered by the lack of minimum job qualifications and lack of comprehensive training.

MAJOR RECOMMENDATIONS

- Retain responsibility for the civil process function.
- Remove courthouse security function and transfer it to the Judicial Department.
- Remove the prisoner transportation function and transfer it to the Department of Correction.
- Eliminate the High Sheriffs Advisory Board.
- Eliminate local support staff in each county sheriff office.
- Cut central office staff and transfer two clerk positions to the Judicial Department.
Establish statewide minimum qualifications for court security officers and institute background checks.

Develop a minimum level scheduling plan.

Eliminate courthouse security from civil courtrooms except in high-risk cases.

Install "hot buttons" in every courtroom not so presently equipped.

Cross-train security staff in all functions.

Revise per diem schedule for courthouse security staff.

Pay courthouse security staff their per diem based on an hourly rate.

Require courthouse security officers to purchase their own uniforms.

Add a $5 surcharge to the civil filing fee to be used to fund courthouse security training and purchase electronic security equipment.

Develop a comprehensive training program for all courthouse security personnel and make in-service training available year-round.

Eliminate high sheriffs' state-owned personal cars.

Reduce staff levels based on proposed court facility consolidation.

Continue the task force on Judicial Department security, update the security manual, and implement statewide security policies.

Establish a statewide policy on firearms for courthouse security personnel.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $2.7 million; total savings through Fiscal Year 1994-95 are $14.9 million.

IMPLEMENTATION STRATEGIES

Savings due to personnel cuts in security for civil courtroom and per diem schedule revisions can be realized immediately.

Transfer of functional operations of prisoner transportation to the Department of Correction and courthouse security to the Judicial Department could be implemented in Fiscal Year 1991-1992.

Other recommendations require legislative approval or interagency cooperation.
## County Sheriffs

CONSULTANT: MAXIMUS, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tr>
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</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$395,331</td>
<td>$2,754,257</td>
<td>$3,529,433</td>
<td>$4,032,340</td>
<td>$4,245,694</td>
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<tr>
<td>Cumulative Savings</td>
<td>$395,331</td>
<td>$3,149,588</td>
<td>$6,679,021</td>
<td>$10,711,361</td>
<td>$14,957,055</td>
</tr>
</tbody>
</table>

1. Transfer prisoner transportation to DOC and courthouse security to judicial department
   
   Y  ($150,000)  •  •  •  •

2. Eliminate local support staff in each county sheriffs' office
   
   N  ($138,036)  $512,920  $512,920  $512,920  $512,920

3. Reduce central office staff and transfer two clerk positions to the judicial department
   

4. Eliminate courthouse security from civil courtrooms except in high risk cases
   
   N  $496,000  $992,000  $992,000  $992,000  $992,000

5. Revise per diem schedule
   
   Y  $288,500  $577,000  $577,000  $577,000  $577,000

6. Training of courthouse security staff (impose $5 surcharge)
   
   Y  ($117,845)  ($235,690)  $113,976  $227,951  $227,951

7. Eliminate high sheriff's personal cars and reduce prisoner transportation miles
   
   N  $0  $101,282  $176,282  $176,282  $176,282

8. Reduce staff levels based on proposed court facility consolidation
   
   N  $167,636  ($100,000)  $457,188  $807,699  $1,310,606  $1,523,960

9. Eliminate High Sheriffs Advisory Board
   
   Y  •  •  •  •  •

10. Establish statewide minimum qualifications for court security officers and develop comprehensive training program for all courthouse security personnel
    
    Y  •  •  •  •  •

* *Savings reflected in other recommendations*

IV-21
DEPARTMENT OF ADMINISTRATIVE SERVICES

MISSION

Increase state government productivity through the provision of responsive and cost-effective administrative services to other operating departments, including personnel and labor relations, data processing and telecommunications, procurement and purchasing, and billing and collections.

FISCAL YEAR 1990-91 BUDGET

$100.2 million in total funds, including a $24.8 million General Fund appropriation and an additional $75.3 million from the data processing and purchasing revolving funds.

MAJOR ISSUES

The Department of Administrative Service's function as a "service bureau" for other state agencies requires that an interagency and cross-organizational focus be applied to this examination. Unlike other studies in that all cost savings accrue within a single agency's operation, this investigation examined functions that have an impact on multiple state governmental units.

For example, a major component of state budget outlays is found in the personnel area, and recommendations for revised personnel practices represent a substantial portion of study-recommended savings. Many of these recommendations affect the entire state workforce.

Other recommendations center around the improved use of technology in support of other departmental functions. Improvements in the capacity of the Bureau of Collections Services to collect federal payments for health care and institutional services provided by other state agencies will have a significant effect on state revenues.

(Two departmental subdivisions were not included in the scope of this study. The Bureau of Purchases, which directs the procurement of supplies and materials for all state agencies, was the subject of another separate investigation. Certain general service functions within the Bureau of General and Technical Services, which coordinates statewide data processing and telecommunications services, were also excluded from this examination.)
MAJOR RECOMMENDATIONS

- Consolidate applications software by developing single core applications and requiring their standard use.
- Reduce telephone circuits and lines with creation of a unified data transmission network.
- Reconfigure technical services support groups within the Bureau of General and Technical Services to fully recover or eliminate their costs.
- Convert the transmission of purchase order information to electronic data interchange.
- Improve billing procedures and operation at the Bureau of Collection Services.
- Realign the Bureau of Collection Services organization and revise revenue collections procedures.
- Address outstanding Medicaid accounts receivable balance.
- Implement an employee contribution to the retiree medical plan.
- Implement cost containment practices for employee medical plan costs, including an increase in employee contributions.
- Revise the Workers' Compensation program by reducing claim payment percentages and coverages, implementing a waiting period for receipt of benefits, instituting aggressive injury prevention activities, and increasing the investigation of claims.
- Resolve issues relating to the implementation of pay equity legislation; delay implementation until resolution is achieved.
- Redirect savings from health care plan modifications to direct a greater percentage of savings from benefit modifications to address the deficit in the rate stabilization reserve.
- Streamline personnel system policies and procedures in order to meet changing personnel requirements in a timely manner.
- Restructure the roles of deputy commissioner positions to provide more policy administration authority.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $111.1 million; total savings through Fiscal Year 1994-95 are $508.7 million.
IMPLEMENTATION STRATEGIES

While many technical recommendations can be implemented through administrative action, personnel-related recommendations may require either legislative approval or union agreement.

Recommendations centered on collection of federal payments were referred to responsible program agencies. Although payments are processed by the department's Bureau of Collection Services, operational, procedural and claims issues that affect collection potential are outside the control of the department.
**Department of Administrative Services**

**CONSULTANT: Deloitte & Touche**

**PROJECTED NET SAVINGS/REVENUE INCREASES**

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</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td><strong>$28,569,491</strong></td>
<td>$111,125,521</td>
<td>$115,178,427</td>
<td>$119,000,327</td>
<td>$134,839,052</td>
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<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$28,569,491</td>
<td>$139,695,012</td>
<td>$254,873,439</td>
<td>$373,873,766</td>
<td>$508,712,818</td>
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<tr>
<td><strong>Bureau of Technical Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Use electronic data interchange</td>
<td>N</td>
<td>$253,750</td>
<td>$673,500</td>
<td>$1,361,000</td>
<td>$1,705,000</td>
<td>$2,049,000</td>
</tr>
<tr>
<td>2. Reconfigure SDR and part of SDS</td>
<td>N</td>
<td>$1,305,938</td>
<td>$1,305,938</td>
<td>$1,305,938</td>
<td>$1,305,938</td>
<td>$1,305,938</td>
</tr>
<tr>
<td>3. Design monolithic CATER network</td>
<td>N</td>
<td>$430,800</td>
<td>$730,800</td>
<td>$730,800</td>
<td>$730,800</td>
<td>$730,800</td>
</tr>
<tr>
<td>4. Streamline and automate telephone billing</td>
<td>N</td>
<td>($124,000)</td>
<td>$766,000</td>
<td>$766,000</td>
<td>$766,000</td>
<td>$766,000</td>
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<tr>
<td>5. Automate time and attendance interface to payroll</td>
<td>N</td>
<td>$168,630</td>
<td>$344,260</td>
<td>$495,800</td>
<td>$501,800</td>
<td>$501,800</td>
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<tr>
<td>6. Increase payphone revenues</td>
<td>N</td>
<td>$284,375</td>
<td>$284,375</td>
<td>$284,375</td>
<td>$284,375</td>
<td>$284,375</td>
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<tr>
<td>7. Require agency interface with Comptroller’s accounting system</td>
<td>N</td>
<td>$87,198</td>
<td>$87,198</td>
<td>$87,198</td>
<td>$87,198</td>
<td>$87,198</td>
</tr>
<tr>
<td>8. Phase-in automation of CATER staffing and operations</td>
<td>N</td>
<td>$0</td>
<td>$0</td>
<td>($14,434)</td>
<td>$72,966</td>
<td>$120,466</td>
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<tr>
<td>9. Competitively bid telephone service</td>
<td>N</td>
<td>$105,000</td>
<td>$105,000</td>
<td>$105,000</td>
<td>$105,000</td>
<td>$105,000</td>
</tr>
<tr>
<td>10. Eliminate Gandalf switch in data center</td>
<td>N</td>
<td>$300</td>
<td>$22,800</td>
<td>$22,800</td>
<td>$22,800</td>
<td>$22,800</td>
</tr>
<tr>
<td>11. Inventory current telephone equipment and reconcile billings</td>
<td>N</td>
<td>$330,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Bureau of Collection Services</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Improve identification and verification of Medicaid eligibility</td>
<td>N</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>13. Improve billing operations</td>
<td>N</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>14. Improve collection operations</td>
<td>N</td>
<td>$3,550,000</td>
<td>$3,550,000</td>
<td>$3,550,000</td>
<td>$3,550,000</td>
<td>$3,550,000</td>
</tr>
<tr>
<td>15. Eliminate part of Medicaid backlog for receivables</td>
<td>N</td>
<td>$7,500,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>16. Assist with direct TPL billing</td>
<td>N</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>17. Assist with new TPL initiatives</td>
<td>N</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
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**IV-26**

**Or through collective bargaining**
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</thead>
<tbody>
<tr>
<td>18.</td>
<td>Fill empty beds at certified Medicaid Facilities first</td>
<td>N</td>
<td>$2,750,000</td>
<td>$2,750,000</td>
<td>$2,750,000</td>
</tr>
<tr>
<td>19.</td>
<td>Obtain Medicaid certification at High Meadows Childrens facility</td>
<td>N</td>
<td>$4,500,000</td>
<td>$4,500,000</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Office of Commissioner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Review policy roles of deputy commissioners</td>
<td>N</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>21.</td>
<td>Reduce management costs, levels</td>
<td>N</td>
<td>$75,000</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Bureau of Personnel Services and Labor Relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Simplify affirmative action reporting</td>
<td>N</td>
<td>$238,000</td>
<td>$238,000</td>
<td>$238,000</td>
</tr>
<tr>
<td>23.</td>
<td>Charge for personnel development courses</td>
<td>N</td>
<td>$52,000</td>
<td>$52,000</td>
<td>$52,000</td>
</tr>
<tr>
<td>24.</td>
<td>Audit premium payments for employee benefits &amp; collection of contributions</td>
<td>N</td>
<td>$112,500</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
<tr>
<td>25.</td>
<td>Implement 80% premium contribution to retiree medical plan</td>
<td>Y</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>26.</td>
<td>Create director of human resources planning and compensation position</td>
<td>Y</td>
<td>$0</td>
<td>($300,000)</td>
<td>($300,000)</td>
</tr>
<tr>
<td>27.</td>
<td>Fund management incentive compensation</td>
<td>N</td>
<td>$0</td>
<td>($500,000)</td>
<td>($500,000)</td>
</tr>
<tr>
<td>28.</td>
<td>Refer more cases to management</td>
<td>N</td>
<td>$0</td>
<td>$666,700</td>
<td>$605,000</td>
</tr>
<tr>
<td>29.</td>
<td>Reduce some 100% workers' compensation benefits to 66 2/3%</td>
<td>Y</td>
<td>$0</td>
<td>$3,300,000</td>
<td>$3,300,000</td>
</tr>
<tr>
<td>30.</td>
<td>Institute 3-day waiting period w.c. claims</td>
<td>Y</td>
<td>$0</td>
<td>$161,000</td>
<td>$161,000</td>
</tr>
<tr>
<td>31.</td>
<td>Reduce worker's compensation maximum benefit to 100% of aver. product. wage</td>
<td>Y</td>
<td>$0</td>
<td>$6,250,000</td>
<td>$6,250,000</td>
</tr>
<tr>
<td>32.</td>
<td>Subject w.c. med. claims to fee schedule</td>
<td>Y</td>
<td>$0</td>
<td>$1,100,000</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>33.</td>
<td>Require flat 20% employee contribution to medical plans</td>
<td>Y</td>
<td>$0</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>34.</td>
<td>Implement premium conversion plan</td>
<td>N</td>
<td>$0</td>
<td>$1,150,000</td>
<td>$1,150,000</td>
</tr>
<tr>
<td>35.</td>
<td>Negotiate further claim administration performance guarantees</td>
<td>N</td>
<td>$0</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>36.</td>
<td>Implement managed prescription drug pharmacy network</td>
<td>N</td>
<td>$0</td>
<td>$665,000</td>
<td>$665,000</td>
</tr>
<tr>
<td>37.</td>
<td>Postpone 6/30/91 pay equity deadline</td>
<td>Y</td>
<td>$0</td>
<td>$65,800,000</td>
<td>$69,090,000</td>
</tr>
<tr>
<td>38.</td>
<td>Exempt promotion to reclassified positions from examinations</td>
<td>Y</td>
<td>$0</td>
<td>$390,450</td>
<td>$390,450</td>
</tr>
</tbody>
</table>
DEPARTMENT OF AGRICULTURE

MISSION

Promote the development and expansion of food agriculture systems within the state, protect the state's fresh food supply, safeguard the health and welfare of animals and plant-based agricultural systems, and preserve land and sea-based agricultural resources.

FISCAL YEAR 1990-91 BUDGET

$4.4 million, including a $32,835 federal contribution.

MAJOR ISSUES

The agricultural industry in Connecticut has experienced a decline in the number of farm and production units. Accordingly, the Department of Agriculture serves a declining constituency with less of a voice in state policy setting. Only seven percent of the state is cropland; Connecticut is now losing cropland through conversion to irreclaimable non-farm use at a faster rate than any other state. Current agricultural trends within the state include increased environmental regulation, advances in biotechnology, "niche" agriculture, and sustainable and organic farming systems. The department has responded to this climate by focusing upon farmland preservation, marketing, and agricultural technology.

MAJOR RECOMMENDATIONS

- Reorganize the department from a division based structure into a bureau based structure.
- Eliminate the existing deputy commissioner position, which is considered unnecessary given the department's size, functionality, and recommended reorganization.
- Revise the State's dairy laws to establish reciprocal agreements for out-of-state dairy inspections consistent with the department's health and regulatory priorities. Reduce the Dairy Inspector staff accordingly.
- Restructure the Canine Control Unit and revise operations.
- Restructure the Dairy and Livestock Units.
- Increase Marketing Unit staff.
- Consolidate clerical support as part of the planned agency reorganization.
- Achieve pay equity for regulatory positions.
- Coordinate Farmland Preservation Purchases with the Department of Environmental Protection's land acquisition unit.
- Improve documentation of policies and procedures.
- Automate operations to enhance efficiencies.
- Increase fees.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $199,750; total savings through Fiscal Year 1994-95 are $714,600.

IMPLEMENTATION STRATEGIES

Legislative enactments are necessary to modify most agricultural fees and enhanced revenue will not be realized until Fiscal Year 1991-92. Legislative approval of regulatory changes in dairy and canine oversight will be sought in the 1991 session.

The achievement of organizational and administrative recommendations is affected by a departmental reorganization now in progress. The reorganization and restructuring will be phased in over an extended period of time.
### Department of Agriculture

CONSULTANT: KPMG Peat Marwick

#### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td></td>
<td>($84,400)</td>
<td>$199,750</td>
<td>$199,750</td>
<td>$199,750</td>
<td>$199,750</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cumulative Savings</th>
<th>($84,400)</th>
<th>$115,350</th>
<th>$315,100</th>
<th>$514,850</th>
<th>$714,600</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Adopt reciprocity policies with other states regarding out-of-state dairy inspections</td>
<td>Y</td>
<td>$0</td>
<td>$116,000</td>
<td>$116,000</td>
<td>$116,000</td>
</tr>
<tr>
<td><strong>2.</strong> Increase fees</td>
<td>Y</td>
<td>$0</td>
<td>$168,150</td>
<td>$168,150</td>
<td>$168,150</td>
</tr>
<tr>
<td><strong>3.</strong> Reorganize department structure</td>
<td>N</td>
<td>$42,900</td>
<td>$42,900</td>
<td>$42,900</td>
<td>$42,900</td>
</tr>
<tr>
<td><strong>4.</strong> Increase marketing unit staff</td>
<td>N</td>
<td>($64,000)</td>
<td>($64,000)</td>
<td>($64,000)</td>
<td>($64,000)</td>
</tr>
<tr>
<td><strong>5.</strong> Achieve pay equity for specified inspector positions</td>
<td>N</td>
<td>($45,800)</td>
<td>($45,800)</td>
<td>($45,800)</td>
<td>($45,800)</td>
</tr>
<tr>
<td><strong>6.</strong> Automate operations</td>
<td>N</td>
<td>($17,500)</td>
<td>($17,500)</td>
<td>($17,500)</td>
<td>($17,500)</td>
</tr>
<tr>
<td><strong>7.</strong> Restructure canine control unit and revise operations</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IV-31
DEPARTMENT OF CONSUMER PROTECTION

MISSION

Protect consumers from physical injuries and financial losses that are the result of unsafe or fraudulent products or services marketed in the state through licensure, inspection, investigation, enforcement, and public education.

FISCAL YEAR 1990-91 BUDGET

Total budget of $8.1 million from the General Fund.

MAJOR ISSUES

Largely due to conflicts in the law, similar clerical functions associated with licensing are being performed separately for each administrative board and division under the Department of Consumer Protection. Decentralization also leads to duplication and delays in the areas of licensing, complaints, and mail. The position of deputy commissioner is unnecessary as it performs no line functions.

No relationship exists between dollars produced and the current budget. Penalty fees collected are not earmarked for the agency's use, and these fees could be used to improve investigation and enforcement.

The Real Estate Division does not charge appropriate fees to reflect the time involved in the continuing education of real estate brokers and salesmen. Similarly, only nominal fees are charged for consumer education materials, licensing, reinspection, reciprocity certification, weighing and dispensing registration, and pharmacist exams.

MAJOR RECOMMENDATIONS

- Centralize all clerical functions associated with licensing, complaints, and mail.
- Modify existing statutes to provide clearer authority for the consumer protection commissioner to carry out agency responsibilities.
- Develop a formalized relationship between the agency and the legislature to create an agency budget that reflects revenues.
- Designate bureau chiefs to act in lieu of the commissioner and reassign clerical administration responsibilities, thus eliminating the need for the deputy commissioner position.
Establish a designated fund for the flow of civil penalties assessed by the agency, which would be used to fund investigative and enforcement positions.

Increase student fees and earmark them for the continuing education program.

Recoup the cost of consumer education materials through charging nominal fees.

Increase fees for licensing, reinspection, reciprocity certification, weighing and dispensing registration, and pharmacist exams in order to recoup costs incurred.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $2.2 million; total savings through Fiscal Year 1994-95 are $9.2 million.

**IMPLEMENTATION STRATEGIES**

Legislative action is necessary to provide clear authority to the commissioner. Certain functions should be transferred to appropriate divisions. Selected fees need to be increased.
## Department of Consumer Protection

CONSULTANT: MGT of America, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th>Legislative Action Req.</th>
<th>Net Savings From All Recommendations</th>
<th>Cumulative Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$309,550</td>
<td>$2,225,400</td>
</tr>
</tbody>
</table>

### Organizational/Administrative

1. Reorganize Agency
   - Action: Y
   - 1990-91: $0
   - 1991-92: $175,000
   - 1992-93: $175,000
   - 1993-94: $175,000
   - 1994-95: $175,000

2. Merge boards not meeting quorums
   - Action: Y
   - 1990-91: $0
   - 1991-92: $50,000
   - 1992-93: $50,000
   - 1993-94: $50,000
   - 1994-95: $50,000

3. Provide clear authority to DCP Commissioner
   - Action: Y
   - 1990-91: $0
   - 1991-92: $0
   - 1992-93: $0
   - 1993-94: $0
   - 1994-95: $0

4. Develop Revenue incentives
   - Action: Y
   - 1990-91: $0
   - 1991-92: $300,000
   - 1992-93: $300,000
   - 1993-94: $300,000
   - 1994-95: $300,000

5. Centralize mail
   - Action: N
   - 1990-91: $0
   - 1991-92: $2,000
   - 1992-93: $2,000
   - 1993-94: $2,000
   - 1994-95: $2,000

6. Centralize Licensing function
   - Action: N
   - 1990-91: $0
   - 1991-92: $30,000
   - 1992-93: $30,000
   - 1993-94: $30,000
   - 1994-95: $30,000

7. Eliminate deputy commission
   - Action: N
   - 1990-91: $52,800
   - 1991-92: $105,600
   - 1992-93: $105,600
   - 1993-94: $105,600
   - 1994-95: $105,600

8. Eliminate athletic division
   - Action: Y
   - 1990-91: $10,000
   - 1991-92: $31,000
   - 1992-93: $31,000
   - 1993-94: $31,000
   - 1994-95: $31,000

### Program/Operations

9. Protect state license revenue
   - Action: Y
   - 1990-91: $0
   - 1992-93: $167,500
   - 1993-94: $167,500
   - 1994-95: $167,500

### Revenue Enhancement

10. Increase continuing education fees
    - Action: Y
    - 1990-91: $0
    - 1991-92: $365,800
    - 1992-93: $365,800
    - 1993-94: $365,800
    - 1994-95: $365,800

11. Establish consumer education material
    - Action: Y
    - 1990-91: $60,000
    - 1991-92: $120,000
    - 1992-93: $120,000
    - 1993-94: $120,000
    - 1994-95: $120,000

12. Increase bakery license fees
    - Action: Y
    - 1990-91: $28,750
    - 1991-92: $57,500
    - 1992-93: $57,500
    - 1993-94: $57,500
    - 1994-95: $57,500

13. Increase Food Division reinspection fee
    - Action: Y
    - 1990-91: $500
    - 1991-92: $1,000
    - 1992-93: $1,000
    - 1993-94: $1,000
    - 1994-95: $1,000

14. Increase real estate reciprocity fees
    - Action: Y
    - 1990-91: $7,500
    - 1991-92: $15,000
    - 1992-93: $15,000
    - 1993-94: $15,000
    - 1994-95: $15,000

15. Establish weighing devices fees
    - Action: Y
    - 1990-91: $0
    - 1991-92: $505,000
    - 1992-93: $505,000
    - 1993-94: $505,000
    - 1994-95: $505,000

16. Establish pharmacists exam fees
    - Action: Y
    - 1990-91: $150,000
    - 1991-92: $300,000
    - 1992-93: $300,000
    - 1993-94: $300,000
    - 1994-95: $300,000
DEPARTMENT OF CORRECTION

MISSION

Provide the appropriate housing, care, and security for pre-trial, convicted, and sentenced inmates; operate community programs for convicted offenders, including community services, supervised home release, and parole.

FISCAL YEAR 1990-91 BUDGET

Total budget of $237.9 million with a General Fund appropriation of $235.1 million.

MAJOR ISSUES

The prison inmate population in Connecticut has been rising rapidly since the mid-1980s. Substantial increases in funding have been authorized for prison construction and expanded operations.

The inmate population is likely to expand even more rapidly than expected because of the reintroduction of parole and the planned elimination of the Supervised Home Release Program. The expected additional increase in the inmate population is not currently reflected in official forecasts.

Personnel issues are significant at the Department of Correction because of the large number of employees involved in shift work. Currently, approximately six persons are required to fill a single round-the-clock post in an institution.

MAJOR RECOMMENDATIONS

o Take steps to avoid the unanticipated costs that will be incurred as a result of the reintroduction of parole.
  . Introduce measures to ensure that the average length of time served by inmates does not increase above current levels.

o Establish a uniform schedule for correctional officers in all institutions, eliminating the "every-other-weekend-off" system.

o Exclude overtime earnings when computing retirement compensation.

o Expand the use of private contracts for food service.

o Contract with a private provider to deliver health services.
- Expand the scope of prison industry programs.
- Maximize federal funding for educational programs.
- Consolidate inmate transportation services.
- Keep program slots filled and competitively bid all community service contracts.
- Automate the time and attendance system and purchase an integrated inmate accounting system.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $22.7 million; total savings or cost avoidance through Fiscal Year 1994-95 are $260.4 million.

IMPLEMENTATION STRATEGIES

The recommendation to maintain the average length of time served at current levels must be assessed in the context of existing policies that emphasize increasing prison terms and curtailing early release. Many of the recommendations on personnel policies will require legislative action and contract renegotiation.
### Department of Correction

CONSULTANT: MAXIMUS, Inc.

#### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$22,671,841</td>
<td>$38,711,672</td>
<td>$69,259,990</td>
<td>$129,811,833</td>
<td>$160,592,526</td>
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<tr>
<td>Cumulative Savings</td>
<td>$22,671,841</td>
<td>$61,383,513</td>
<td>$130,643,503</td>
<td>$260,455,336</td>
<td>$421,047,862</td>
</tr>
<tr>
<td>1. Maintain current average time served at approximately 9.1 months</td>
<td>Y</td>
<td>$14,476,980</td>
<td>$29,493,960</td>
<td>$58,987,920</td>
<td>$117,975,840</td>
</tr>
<tr>
<td>2. Establish uniform schedule for correctional officers on all shifts in all institutions</td>
<td>N</td>
<td>$789,724</td>
<td>$868,696</td>
<td>$955,566</td>
<td>$1,051,122</td>
</tr>
<tr>
<td>3. Credit unused sick leave day for day toward service longevity at retirement</td>
<td>Y</td>
<td>$777,500</td>
<td>$670,186</td>
<td>$570,232</td>
<td>$476,607</td>
</tr>
<tr>
<td>4. Modify statutes and regulations to exclude overtime earnings when computing retirement compensation</td>
<td>Y</td>
<td>$187,646</td>
<td>$396,495</td>
<td>$628,945</td>
<td>$887,661</td>
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<tr>
<td>5. Expand contracting for on-site food service</td>
<td>N</td>
<td>$640,400</td>
<td>$704,440</td>
<td>$774,884</td>
<td>$852,372</td>
</tr>
<tr>
<td>6. Contract with a private provider to deliver health services</td>
<td>N</td>
<td>$2,700,740</td>
<td>$2,915,814</td>
<td>$3,207,395</td>
<td>$3,528,135</td>
</tr>
<tr>
<td>7. Expand Industries to provide work for 15 percent of sentenced inmates</td>
<td>N</td>
<td>0</td>
<td>$371,500</td>
<td>$743,000</td>
<td>$1,486,000</td>
</tr>
<tr>
<td>8. Increase federal funding of educational services under chapter one for delinquent persons</td>
<td>N</td>
<td>$74,434</td>
<td>$81,877</td>
<td>$90,065</td>
<td>$99,072</td>
</tr>
<tr>
<td>9. Increase federal funding of educational services under Public Law 89-313 for handicapped persons</td>
<td>N</td>
<td>$178,174</td>
<td>$195,991</td>
<td>$215,591</td>
<td>$237,150</td>
</tr>
<tr>
<td>10. Consolidate institution transportation operations units under one centrally managed unit</td>
<td>N</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>11. Keep all alternative incarceration center program slots filled</td>
<td>N</td>
<td>$804,460</td>
<td>$894,683</td>
<td>$886,917</td>
<td>$931,263</td>
</tr>
<tr>
<td>12. Competitively bid all community program slots and beds</td>
<td>N</td>
<td>$958,625</td>
<td>$1,006,556</td>
<td>$1,056,854</td>
<td>$1,109,728</td>
</tr>
<tr>
<td>13. Purchase integrated inmate payroll, account, commissary, and banking system to manage funds and track inventory</td>
<td>N</td>
<td>$283,158</td>
<td>$311,474</td>
<td>$342,621</td>
<td>$376,883</td>
</tr>
<tr>
<td>14. Executive and legislative branches authorize funds to support current and future reorganization to ensure fiscal and program integrity</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IV-39
DEPARTMENT OF ECONOMIC DEVELOPMENT

MISSION

Provide leadership and services to enhance the state’s economy and to expand opportunities for individual, business, and community prosperity; promote equity and improve the quality of life for Connecticut citizens.

FISCAL YEAR 1990-91 BUDGET

Total budget of $7.7 million which includes a General Fund appropriation of $7.6 million.

MAJOR ISSUES

Restructuring the Department of Economic Development would free-up technical specialists from management responsibilities, allowing them to focus on the technical aspects of helping Connecticut businesses and enhancing the department’s capabilities for addressing the needs of Connecticut businesses.

The development and implementation of an automated client tracking system will provide a means for coordinating service delivery and monitoring the department’s performance. The capability of evaluating programs through the development of performance standards is needed.

MAJOR RECOMMENDATIONS

- Consolidate the Business Recruitment Division and the Expansion Unit; provide for one director to manage the division; create a professional position outside the state’s civil service system.
- Recruit a director for the Marketing and Tourism Division.
- Separate the grant and loan administrative function within the Community and Business Assistance Division.
- Recruit a director for the Small Business Development Division.
- Recruit a permanent director for the International Division.
- Develop a pool of development agent generalists who possess a diversity of skills that can support the programs and functions of several divisions.
- Group like functions together.
- Improve the department’s understanding of business policy issues.
Department leaders should continue in their efforts to establish policy linkages with other state agencies to improve the economic foundations of the state; consider formation of an economic development cabinet.

- Develop and implement an automated client tracking system.
- Develop the capability to evaluate programs; develop performance measures and service level indicators.
- Develop the computer skills of personnel to improve productivity.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net costs are $304,000; total costs through Fiscal Year 1994-95 are $1 million.

**IMPLEMENTATION STRATEGIES**

Organizational and staffing changes can be accomplished internally. Implementation will require cooperation with the Office of Policy and Management and the state Personnel Division. The framework for establishing an economic development cabinet can be established by interaction with the governor's office and OPM. Linkages should also be established with related departments, including the Department of Labor, the Department of Higher Education, the Department of Environmental Protection, and the Department of Housing.
## Department of Economic Development

CONSULTANT: KPMG Peat Marwick

### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$8,000</td>
<td>($304,000)</td>
<td>($247,000)</td>
<td>($249,000)</td>
<td>($249,000)</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td>$8,000</td>
<td>($296,000)</td>
<td>($543,000)</td>
<td>($792,000)</td>
<td>($1,041,000)</td>
</tr>
</tbody>
</table>

1. Department reorganization
   - N
   - $0 ($169,000) ($222,000) ($274,000) ($274,000)

2. Telephone system
   - N
   - $0 ($15,000) $0 $0 $0

3. Coordinate statewide use of information resources
   - N
   - $0 ($30,000) $0 $0 $0

4. Maintain database of Set-aside Program participants
   - N
   - $0 ($15,000) $0 $0 $0

5. Fee for Set-aside Program
   - Y
   - $0 $25,000 $25,000 $25,000 $25,000

6. Automate client tracking system
   - N
   - $0 ($50,000) ($50,000) $0 $0

7. PC computer training
   - N
   - $0 ($25,000) $0 $0 $0

8. Computer applications and support
   - N
   - $0 ($25,000) $0 $0 $0

9. Sell minicomputer system
   - N
   - $8,000 $0 $0 $0 $0

10. Remove positions from civil service
    - Y

11. Special Act administrative costs
    - Y
DEPARTMENT OF EDUCATION

MISSION

Ensure that each child in Connecticut has, for the period prescribed in the General Statutes, equal opportunity to receive a suitable program of educational experiences.

FISCAL YEAR 1990-91 BUDGET

Total budget of $1.42 billion, including a $1.29 billion General Fund appropriation.

MAJOR ISSUES

The state finances 166 local and regional boards of education and school districts, 17 vocational-technical schools, four vocational-technical satellite schools, five regional educational service centers, and over 460,000 public school students in the state. Connecticut is engaged in a major fiscal and programmatic commitment to strengthening the foundation of the state’s education system, the primary fiscal tool being the Education Cost Sharing (ECS) grants. While the ECS formula generally attempts to allocate state funds based on town wealth and number of students, the state’s Hold Harmless provision takes neither of these factors into account and instead relies on previous funding levels as the primary determinant.

Currently, there is no comprehensive system of accountability in place for the State Department of Education and local school systems to evaluate the effective use of state-granted funds. However, several initiatives are underway which will be important components of a comprehensive evaluation program.

MAJOR RECOMMENDATIONS

- Department-wide
  - Develop a comprehensive assessment program for education in Connecticut, including a defined set of performance measures and quantified targets for each measure.
  - Eliminate unit coordinators in instructional divisions and add bureau chiefs who report directly to division directors.
  - Eliminate three fiscal administrative supervisor positions and one fiscal administrative position.
Division of Curriculum and Professional Development

- Increase teacher certification fees to an amount that better reflects the level of resources and effort the department commits to teacher certification.

Division of Vocational, Technical and Adult Education

- Close Enfield and Essex vocational-technical satellite schools. Students can be accommodated at other nearby vocational-technical schools that have significant remaining capacity.

- Charge summer school students in the vocational-technical school system (VTSS) tuition comparable to that charged by local school districts in order to cover some of the cost of offering summer school. Pass their courses during the regular school year.

- Institute tuition of $100 per course at the vocational-technical schools for registered apprentices presently exempt from such charges.

- Increase the tuition charged to adult students in full-time vocational-technical school trade programs from $200 to $400 per semester, to bring tuition more closely in line with that of the state community colleges and to cover more of the cost of these programs.

- Privatize the VTSS school lunch program operations.

Office of Staff and Organizational Development

- Develop a curriculum of professional development opportunities available to employees and linked to opportunities for promotion inside and outside the department.

Division of Management and Budget

- Eliminate levels of supervision.

- Equalize levels of responsibilities for similar positions.

- Develop reasonable spans of control for each manager.

- Eliminate three supervisory positions in Fiscal Services and two supervisory positions in Grants Management. Add one accountant position in each bureau.

Office of Management Information Systems (MIS)

- Reorganize division into user services (responsible for user support and systems analysis) and technical services (responsible for applications programming, operations, and technical support).
. Provide a configuration and level of staffing that will allow the
department to continue its automation efforts, gain efficiencies, and
better manage information.

. Eliminate data processing and user support staff within the Bureau of
Fiscal Affairs and the vocational-technical school system.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $5.5 million; total savings through Fiscal Year 1994-95 are
$16.7 million.

IMPLEMENTATION STRATEGIES

Certain recommendations can be implemented with relatively minor administrative or procedural
actions and be performed in the short term by the department internally. Recommendations such
as new or increased tuition fees will require legislative action.

Recommendations about the state’s existing organization and personnel processes will require
significant involvement of the department as well as external agencies such as the Office of
Policy and Management and the state Personnel Division. They will also require a longer term
effort. Significant delays in accomplishing tasks such as reclassifying positions, establishing new
positions, filling existing positions, and hiring outside candidates have been known to occur.
The state should be cognizant of these issues and their potential impediment to an effective,
efficient implementation process. Given the sensitivities of implementing organizational change,
implementation planning and execution must also entail active involvement of the state’s unions
and collective bargaining units.
## Projected Net Savings/Revenue Increases

### Legislative Action Req.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$0</td>
<td>$5,485,000</td>
<td>$3,614,000</td>
<td>$3,744,000</td>
<td>$3,874,000</td>
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<tr>
<td>Cumulative Savings</td>
<td>$0</td>
<td>$5,485,000</td>
<td>$9,099,000</td>
<td>$12,843,000</td>
<td>$16,717,000</td>
</tr>
</tbody>
</table>

1. **Reorganize instructional divisions**
   - N
   - Net Savings: $0
   - 1990-91: ($102,000)
   - 1991-92: ($102,000)
   - 1992-93: ($102,000)
   - 1993-94: ($102,000)
   - 1994-95: ($102,000)

2. **Increase fees for teacher certification and subject endorsement**
   - Y
   - Net Savings: $0
   - 1990-91: $700,000
   - 1991-92: $700,000
   - 1992-93: $700,000
   - 1993-94: $700,000
   - 1994-95: $700,000

3. **Close Enfield Vo-Tech Satellite school**
   - N
   - Net Savings: $0
   - 1990-91: $430,000
   - 1991-92: $430,000
   - 1992-93: $430,000
   - 1993-94: $430,000
   - 1994-95: $430,000

4. **Close Essex Vo-Tech Satellite school**
   - N
   - Net Savings: $0
   - 1990-91: $760,000
   - 1991-92: $760,000
   - 1992-93: $760,000
   - 1993-94: $760,000
   - 1994-95: $760,000

5. **Sell Essex facility**
   - N
   - Net Savings: $0
   - 1990-91: $2,000,000
   - 1991-92: $0
   - 1992-93: $0
   - 1993-94: $0
   - 1994-95: $0

6. **Establish VTSS Tuition for summer school**
   - Y
   - Net Savings: $0
   - 1990-91: $153,000
   - 1991-92: $153,000
   - 1992-93: $153,000
   - 1993-94: $153,000
   - 1994-95: $153,000

7. **Establish VTSS Tuition for registered apprentices**
   - Y
   - Net Savings: $0
   - 1990-91: $668,000
   - 1991-92: $668,000
   - 1992-93: $668,000
   - 1993-94: $668,000
   - 1994-95: $668,000

8. **Increase tuition for adults in VTSS**
   - N
   - Net Savings: $0
   - 1990-91: $234,000
   - 1991-92: $234,000
   - 1992-93: $234,000
   - 1993-94: $234,000
   - 1994-95: $234,000

9. **Reorganize school facilities unit**
   - Y
   - Net Savings: $0
   - 1990-91: $120,000
   - 1991-92: $120,000
   - 1992-93: $120,000
   - 1993-94: $120,000
   - 1994-95: $120,000

10. **Restructure MIS office**
    - N
    - Net Savings: $0
    - 1990-91: ($84,000)
    - 1991-92: ($84,000)
    - 1992-93: ($84,000)
    - 1993-94: ($84,000)

11. **Reassign fiscal responsibilities to clerical personnel**
    - N
    - Net Savings: $0
    - 1990-91: $161,000
    - 1991-92: $161,000
    - 1992-93: $161,000
    - 1993-94: $161,000
    - 1994-95: $161,000

12. **Eliminate VTSS central business personnel**
    - N
    - Net Savings: $0
    - 1990-91: $100,000
    - 1991-92: $100,000
    - 1992-93: $100,000
    - 1993-94: $100,000
    - 1994-95: $100,000

13. **Privatize VTSS school lunch program**
    - N
    - Net Savings: $0
    - 1990-91: ($71,000)
    - 1991-92: $58,000
    - 1992-93: $188,000
    - 1993-94: $318,000
    - 1994-95: $318,000

14. **Restructure VTSS Trade Commission**
    - N
    - Net Savings: $0
    - 1990-91: $42,000
    - 1991-92: $42,000
    - 1992-93: $42,000
    - 1993-94: $42,000
    - 1994-95: $42,000

15. **Reorganize Management and Budget Division**
    - N
    - Net Savings: $0
    - 1990-91: $181,000
    - 1991-92: $181,000
    - 1992-93: $181,000
    - 1993-94: $181,000
    - 1994-95: $181,000

16. **Reorganize Fiscal Services Bureau**
    - N
    - Net Savings: $0
    - 1990-91: $66,000
    - 1991-92: $66,000
    - 1992-93: $66,000
    - 1993-94: $66,000
    - 1994-95: $66,000

17. **Reorganize Grants Processing Bureau**
    - N
    - Net Savings: $0
    - 1990-91: $67,000
    - 1991-92: $67,000
    - 1992-93: $67,000
    - 1993-94: $67,000
    - 1994-95: $67,000

18. **Discontinue review of invoices and commitments**
    - N
    - Net Savings: $0
    - 1990-91: $60,000
    - 1991-92: $60,000
    - 1992-93: $60,000
    - 1993-94: $60,000
    - 1994-95: $60,000

19. **Assume position classification function from OPM**
    - Y
MISSION

Conserve, improve, and protect the natural resources and environment through the regulation, inspection, enforcement, and licensing procedures that help control air, land, and water pollution.

FISCAL YEAR 1990-91 BUDGET

$73.9 million, including a $38.3 million General Fund appropriation, $17.5 million in special non-appropriated funds, and $4.5 million pursuant to Public Act 90-231, which established two special funds: an Environmental Quality Fund and a Conservation Fund.

MAJOR ISSUES

A significant expansion during the last decade in programmatic responsibilities of the Department of Environmental Protection has occurred due to new state environmental initiatives, more stringent environmental standards, and continued delegation of program responsibilities from the federal Environmental Protection Agency to the state. There has been an aggregate increase in department staffing and funding during the same time period. However, notwithstanding this aggregate growth in resources, the department’s staffing levels have declined from Fiscal Year 1987-88 through Fiscal Year 1989-90. This situation has resulted in significant work backlogs and key mandates not being fully addressed.

MAJOR RECOMMENDATIONS

- Streamline department management structure through the elimination of 12 manager positions and four supervisory positions.
- Eliminate the two existing deputy commissioner positions and replace with a single operations manager.
- Increase technical/program staff in certain waste, water, and air functions to alleviate backlogs and assist in meeting critical mandates.
- Address parks and recreation service delivery requirements by going to less than “full operational status” in certain low utilization facilities and fill existing vacancies at full operational status crews.
- Reorganize the Environmental Conservation Branches functions to enhance service delivery and accountability by establishing direct reporting of program field personnel to program policy managers.
- Integrate waste, water, and air permitting systems through the use of "common identifier methodology."
- Establish a new position to oversee department-wide computer systems coordination and planning activities.
- Enhance department revenues through new and increased fees to support the resource level required to fulfill program mandates.
- Establish "dedicated" revenue arrangements to provide for the department's retention of revenue for future staffing and resource needs.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $3 million; total savings through Fiscal Year 1994-95 are $10.7 million.

IMPLEMENTATION STRATEGIES

Legislative approval is required for implementation of recommendations regarding land acquisition and wetlands review.

The department has begun an internal reorganization, which will affect its staffing configurations. Achievement of many of the recommendations will require significant involvement of other agencies, such as the Office of Policy Management or the state Personnel Division. This will necessitate a longer term effort and may delay adoption of enhanced efficiencies. The department should continue to assess its staffing levels in conjunction with the needs of new and emerging programs such as toxics monitoring, bio-medical waste, and low-level radioactive waste disposal.
## Department of Environmental Protection

CONSULTANT: KPMG Peat Marwick

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<td>Cumulative Savings</td>
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<td>2. Modify Waste Mgmt. Bureau staff</td>
<td>N</td>
<td>($129,000)</td>
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<td>($129,000)</td>
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<td>4. Coordinate wetlands review process with Department of Transportation</td>
<td>Y</td>
<td>$0</td>
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<td>5. Modify Air Mgmt. Bureau staff</td>
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<td>7. Purchase beach cleaning equipment</td>
<td>N</td>
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<td>8. Increase shellfish program staff</td>
<td>N</td>
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<td>9. Install Parks and Recreation telephone hotline</td>
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<td>11. Upgrade data processing resources by adding one new programmer</td>
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<td>12. Increase outdoor grant in aid program staff</td>
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<td>13. Develop land records data base</td>
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<td>14. Increase legal unit staff</td>
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<td>17. Increase Natural Resource Center Staff</td>
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<td>19.</td>
<td>Enhance billing and collection **</td>
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<td>20.</td>
<td>Purchase personal computer for budget revisions</td>
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<td>21.</td>
<td>Purchase personal computer for purchase request tracking systems</td>
<td>N</td>
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<td>22.</td>
<td>Reorganize key staff positions</td>
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<td>Multiple permit coordination</td>
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<tr>
<td>24.</td>
<td>Eliminate backlog in Waste Management Bureau tracking system</td>
<td>N</td>
<td>See note below</td>
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<tr>
<td>25.</td>
<td>Reorganize Environmental Conservation Branch</td>
<td>N</td>
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<td>26.</td>
<td>Streamline Land Acquisition staffing</td>
<td>N</td>
<td>$109,800</td>
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<td>$109,800</td>
<td>$109,800</td>
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<td>27.</td>
<td>Consolidate communications and education functions in the Environmental Services Bureau</td>
<td>N</td>
<td>$41,300</td>
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<td>28.</td>
<td>Reduce environmental review staff</td>
<td>N</td>
<td>$76,400</td>
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<td>29.</td>
<td>Eliminate Licensing and Program Review Unit as a separate entity</td>
<td>N</td>
<td>$54,900</td>
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<td>30.</td>
<td>Eliminate Fiscal Administration Manager position in the Bureau of Administration</td>
<td>N</td>
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<td>31.</td>
<td>Eliminate one Personnel Administrator position</td>
<td>N</td>
<td>$50,700</td>
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<td>32.</td>
<td>Institute external review over all land acquisitions</td>
<td>Y</td>
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<td>33.</td>
<td>Establish standards for classification review</td>
<td>Y</td>
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</table>

* Additional fee increases from Public Act 90-231 are expected to raise $3.5 to $4.5 million annually.
** Department-wide collections should increase by as much as $600,000.

NOTE: Consultant offered three options to deal with this backlog: 1) add three positions for a period of three years, at a cost of $99,900/year; 2) procure outside services at a total cost of 720,000; or, 3) use existing staff funded by the Spill Fund, with no General Fund impact.
DEPARTMENT OF HEALTH SERVICES

MISSION

Prevent and suppress disease and protect, preserve, and enhance public health through the three major program areas of prevention/education, regulation, and planning.

FISCAL YEAR 1990-91 BUDGET

Total budget of $91.9 million, including $47.3 million from the General Fund, $44.5 million in federal funds, and $150,000 in private contributions.

MAJOR ISSUES

The large number of personnel classifications causes difficulty in filling positions, and the Department of Health Services experiences long delays in hiring. Nineteen legislative mandates remain unimplemented due to lack of funding.

Numerous organizational changes and a high ratio of management and support staff to professional staff weakens operations and service delivery. Many purchasing and internal procedures are inconsistent.

Extensive time is required to support over 25 internal advisory groups and to liaison with over 200 organizations and community groups. In addition, DHS must license over 30 regulated professions, thus duplicating licensure and inspection already covered by the federal government and other state agencies.

No master contracts are used for grants, and the department enters into over 400 community service contracts. Extensive staff resources are devoted to monitoring contracts, but the contracting process is characterized by delays, inconsistencies, errors, and insufficient inter-agency monitoring.

Non-specific subsidies used for the Newington Children’s Hospital have been continually reduced over the years.

The department currently charges no fees for licensure of health care facilities and assesses insufficient fees for other licensure, inspection, and laboratory services.

The high indirect cost rate charged to federal and other contracts has discouraged the federal government from awarding grants to the department. Private sector funding is insufficient.
Five regional Emergency Medical Services (EMS) councils are funded at relatively high cost to the state.

The relationship between DHS and the Commission on Hospitals and Health Care (CHHC) is statutorily unclear. Although established as an independent commission, CHHC staff are organizationally within DHS. CHHC staff must operate with limited staff and resources, and the commission faces strict legislatively mandated time frames for hospital budget reviews and requests for certificates of need. Rate setting responsibilities for nursing homes, home health, and hospitals as well as nursing home disclosure record responsibilities are shared with DHS and DIM. The commission does not charge certificate of need fees, nor does it charge a fee for hospital budget reviews.

MAJOR RECOMMENDATIONS

- Reduce the number of position classifications, establish a personnel monitoring system, and strengthen the department's Personnel Division to improve central control.
- Restructure the department to improve administration, planning, operations, and service delivery.
- Study and adjust the ratio of management and support staff to professional staff.
- Centralize contract development and monitoring, and develop a master contract.
- Centralize purchasing and establish internal procedures to ensure consistency.
- Evaluate the need for advisory groups, and combine those with similar functions. Review the number of liaison assignments.
- Eliminate the statutory requirement for examination boards with the exception of the Nursing and Medical Examining Boards.
- Establish a uniform statewide delivery system to eliminate fragmentation in contracting and service delivery. Increase the accountability of those receiving multiple grants through interagency monitoring and evaluation.
- Repeal and eliminate certain licensure and inspection programs. Centralize responsibility for day care licensure and regulation with the agency.
- Eliminate the non-specific subsidy for Newington Children's Hospital, and request legislative review of the rational for employee retirement benefits at the hospital.
- Modify existing fee schedules to generate additional revenue.
- Establish an indirect cost rate that is consistent and reasonable, and provide blanket waivers for health programs critical to Connecticut citizens.
- Improve efforts to involve the private sector in program planning and implementation.
- Eliminate funding for EMS councils.
- With regard to CHHC:
  - Realign the commission to become a division within the department, and assign the five commissioners to serve on an advisory basis similar to the other regulatory boards.
  - Improve CHHC staff and physical resources through co-location in DHS.
  - Coordinate rate setting responsibilities among the commission, DHS, and DIM. Repeal state statutes requiring the commission to collect duplicate nursing home ownership disclosure information.
  - Review and modify mandated time requirements for hospital budget reviews, and establish batching cycles for certificate of need reviews.
  - Establish a certificate of need fee structure as well as a hospital budget review fee structure.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $24.4 million; total savings through Fiscal Year 1994-95 are $95.4 million.

*Note:* Savings summaries have been prepared separately for DHS and CHHC. Both summaries follow this narrative.

**IMPLEMENTATION STRATEGIES**

Restructuring the department requires authorization by the legislature. The legislature should also re-evaluate the 19 DHS regulatory mandates that have not been implemented. Implementation of a number of recommendations is dependent upon internal reorganization, which will involve administrative and legislative action.
### PROJECTED NET SAVINGS/REVENUE INCREASES

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<td><strong>Net Savings From All Recommendations</strong></td>
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<td>2. Repeal 19 unimplemented mandates</td>
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<td>10. Develop master contract</td>
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<td>12. Deregulate duplicative licensure programs</td>
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<td>16. Centralize all day care licensure</td>
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<td>19. Modify existing fee schedule</td>
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<td>21. Establish formal program</td>
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## Commission on Hospitals and Health Care

CONSULTANT: MGT of America, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<td>Cumulative Savings</td>
<td>($25,639)</td>
<td>$3,762,361</td>
<td>$7,550,361</td>
<td>$11,338,361</td>
<td>$15,126,361</td>
</tr>
</tbody>
</table>

### Organizational/Administrative

#### Organizational Structure

1. Realign CHHC as a DHS Division
   - **Y**
   - Y $450,000
   - $450,000
   - $450,000
   - $450,000

2. Update system
   - **N**
   - ($25,639)

### Computer Equipment

#### Revenue enhancement

#### CON Application Fees

3. Establish CON application fees
   - **Y**
   - $570,000
   - $570,000
   - $570,000
   - $570,000

### Hospital budget review fees

4. Establish hospital budget review fees
   - **Y**
   - $2,768,000
   - $2,768,000
   - $2,768,000
   - $2,768,000
DEPARTMENT OF HOUSING

MISSION

Manage all aspects of policy setting, planning, development, preservation, maintenance, and improvement of low income and moderate housing.

FISCAL YEAR 1990-91 BUDGET

Operating Budget of $60 million: $14.3 million in General Fund dollars and $31.6 million in federal contributions. The balance of the operating budget is comprised of the property tax relief fund and other non-appropriated special funds. Two other sources of funding are available to the department: the Housing Assistance Bond Fund and the Housing Repayment and Revolving Loan Fund. The 1989-90 and carry-over prior authorizations for bond funding raises the total funds available to the department to over $225 million.

MAJOR ISSUES

The Department of Housing, while the most visible agency with housing development authority, does not have sole authority in the expenditure of state funds on housing needs. The department needs to develop centralized control of all housing related functions and establish a formal planning process to determine priorities and direction of housing initiatives.

MAJOR RECOMMENDATIONS

- Establish a single entity with full authority to manage and control all housing programs in the state.
- Examine the duplication of capabilities within the Department of Housing and the Connecticut Housing Finance Authority (CHFA) and determine which functions should be distributed among the department, CHFA, the Connecticut Housing Authority, and others as appropriate, all of which should be under control of a single entity.
- Develop a formalized five-year housing planning process as the basis for development, construction, and major rehabilitation of all housing projects.
- Prioritize the housing requirements identified in the needs assessment.
- Allocate funding for housing construction and major rehabilitation based on the approved priorities for housing in the state.
o Establish statewide goals based on the statewide plan.

o Establish a reporting system and prepare an annual report.

o Revise the organization of the department to align like programs and functions and establish a single deputy "chief management officer" responsible for the day-to-day management of agency operations.

o Reduce the number of personnel on the commissioner's staff.

o Merge the housing program staff.

o Phase out several coordination positions.

o Revise the housing coordination, specialist, and supervisor classification specification.

o Develop a comprehensive, reliable, and valid pre-employment examination for housing division staff.

o Review the overall mix of housing division staff to ensure a proper balance between experienced and inexperienced staff is achieved.

o Develop mechanisms for translating agency goals and targets into specific numeric objectives for each division and section.

o Make management accountable for the attainment of these objectives.

o Fund 50 percent of rehabilitation costs through loans rather than grants.

o Allow the department to take a shared equity position with homeowners under the Downpayment Assistance Program.

o Give the commissioner of housing the authority to exempt a project from section 31-53 of the Connecticut General Statutes.

o Develop formal written procedures to review change orders.

o Develop standard contract language for all state construction contracts with regard to architect liability.

o Accelerate the program currently underway at the department to develop standard architectural drawings for publicly assisted housing projects.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $5.5 million; total savings through Fiscal Year 1994-95 are $33.5 million.
IMPLEMENTATION STRATEGIES

The implementation of major organizational changes establishing single entity control can only be achieved with legislative action. Similarly legislative approval is required for establishing a formalized five-year planning process and allowing DOH to take a shared equity position with homeowners under the Downpayment Assistance Program.

The timeframe for achievement of these recommendations extends into July 1991. The balance of the recommendations, which require administrative action by the agency, should be achievable rather quickly.
## Department of Housing

CONSULTANT: MAXIMUS, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>Cumulative Savings</td>
<td>$2,054,000</td>
<td>$7,517,000</td>
<td>$14,846,000</td>
<td>$23,499,000</td>
<td>$33,471,000</td>
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<table>
<thead>
<tr>
<th>Action</th>
<th>Net Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revise organization, establish performance standards and reporting measures, improve experience level of staff</td>
<td>Y $638,000 $2,469,000 $3,484,000 $3,774,000 $3,919,000</td>
</tr>
<tr>
<td>2. Fund 50 percent of rehab through loan</td>
<td>N $290,000 $870,000 $1,450,000 $2,030,000 $2,610,000</td>
</tr>
<tr>
<td>3. Develop written procedure for change orders</td>
<td>Y $587,000 $287,000 $137,000 $62,000 $24,000</td>
</tr>
<tr>
<td>4. Replace state housing and development funds with federal grants</td>
<td>N $500,000 $1,000,000 $1,000,000 $1,000,000 $1,000,000</td>
</tr>
<tr>
<td>5. Use zero interest and deferred loans for 10 percent of new construction</td>
<td>Y $90,000 $240,000 $360,000 $480,000 $600,000</td>
</tr>
<tr>
<td>6. Establish a single entity with full authority over all state housing programs</td>
<td>Y $0 $400,000 $400,000 $400,000 $400,000</td>
</tr>
<tr>
<td>7. Establish a formal five-year housing planning process</td>
<td>Y ($250,000) ($25,000) ($25,000) ($25,000) ($25,000)</td>
</tr>
<tr>
<td>8. Allow DOH to take a shared equity position with homeowners under the Downpayment Assistance Program</td>
<td>Y $24,000 $222,000 $523,000 $932,000 $1,444,000</td>
</tr>
<tr>
<td>9. Prioritize the housing requirements identified in the needs assessment</td>
<td>Y</td>
</tr>
<tr>
<td>10. Establish statewide goals based on the statewide plan</td>
<td>Y</td>
</tr>
<tr>
<td>11. Establish a reporting system and prepare an annual report</td>
<td>Y</td>
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<td>---</td>
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<tr>
<td><strong>12.</strong> Give Commissioner of Housing the authority to exempt a project</td>
<td>Y</td>
</tr>
<tr>
<td><strong>13.</strong> Amend C.G.S. Sec. 8-74 and 8-119c re. public hearings</td>
<td>Y</td>
</tr>
<tr>
<td><strong>14.</strong> Develop specific program performance measures for each program</td>
<td>Y</td>
</tr>
<tr>
<td><strong>15.</strong> Defer the purchase of additional ADAPTS equipment</td>
<td>N</td>
</tr>
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</table>

IV-63
DEPARTMENT OF HUMAN RESOURCES

MISSION

Assist Connecticut families and individuals achieve their full potential for personal and economic development, well-being, and independence. This is achieved by the direct provision and purchase of services, and coordination with other service agencies.

FISCAL YEAR 1990-91 BUDGET

$179 million, including a General Fund allocation of $105 million.

MAJOR ISSUES

The Department of Human Resources oversees the provision of services mandated by law, such as adult protection, and a wide range of social welfare programs resulting from legislative and federal policy. A high proportion of agency expenditures are in the form of grants to local service delivery agencies, which carry out the department's service mandates and social policies.

Typically, the measurement of performance and achievement within social services delivery agencies is more difficult than in those state agencies involved in more discrete and readily measurable activities. The availability of outcome and process information regarding grantee performance is limited, given the diffusion of service delivery systems and the nature of these programs.

MAJOR RECOMMENDATIONS

- Implement a unit cost reimbursement system for child day care.
- Develop an information systems master plan.
- Establish policies to improve the grant audit and collection process.
- Implement appropriate staff time recording procedures to support allocation of administrative costs to Department of Income Maintenance programs.
- Implement systematic district office workload assessment and staff allocation procedures.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $500,000; total savings through Fiscal Year 1994-95 are $5.4 million.

IMPLEMENTATION STRATEGIES

A cornerstone of implementation activity is the development of the agency’s information systems master plan. The availability of more detailed data will better guide resource allocation decisions regarding program operation and staff deployment.
## Department of Human Resources

**CONSULTANT:** Deloitte & Touche

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$400,000</td>
<td>$500,000</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td>$400,000</td>
<td>$900,000</td>
<td>$2,400,000</td>
<td>$3,900,000</td>
<td>$5,400,000</td>
</tr>
<tr>
<td>1. Implement unit cost reimbursement for child day care</td>
<td>N</td>
<td>$0</td>
<td>$0</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2. Streamline grant audit and collection process</td>
<td>N</td>
<td>$400,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>3. Allocate administrative costs to DIM programs</td>
<td>N</td>
<td>$0</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
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IV-67
DEPARTMENT OF INCOME MAINTENANCE

MISSION

Provide financial support and assistance to low income individuals and families in obtaining such basic necessities of daily living as food, health care, shelter, clothing, and heat. The main target groups are poor children living with one parent, the elderly, the disabled, and the blind.

FISCAL YEAR 1990-91 BUDGET

$1.8 billion, including a General Fund allocation of $1.7 billion.

MAJOR ISSUES

The operation of two federally-mandated programs account for more than three-quarters of the budget of the Department of Income Maintenance. A major proportion of the department’s General Fund allocation — over a billion dollars — is spent in the Medicaid program. State contributions to the Aid to Families with Dependent Children program are near $318 million this fiscal year. An amount equal to half of state expenditures for these two programs is reimbursed by the federal government in the form of payments to the General Fund.

New program initiatives, developed in response to changing social needs and guided by legislative mandate, include efforts to address homelessness and AIDS. Other efforts are affected by federal public welfare policy, such as new requirements for expanded prenatal health care, nursing home and other long-term care initiatives, and for implementation of new welfare reform legislation.

MAJOR RECOMMENDATIONS

- Claim Department of Human Resources overhead costs and implement random moment time study.
- Strengthen third party liability recovery actions.
- Implement a federally matched Emergency Assistance program.
- Implement a presumptive eligibility policy for AFDC.
- Implement procedures to identify Medicaid and third party coverage for heavy users of General Assistance medical benefits.
- Implement a presumptive eligibility policy for AFDC.
Create a unit to reduce overpayment backlog and pursue recoupment of certain overpayments in the Welfare Investigations Unit backlog.

Initiate a four-year plan to transition the General Assistance program to full state administration.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $15.5 million; total savings through Fiscal Year 1994-95 are $71.7 million.

IMPLEMENTATION STRATEGIES

Legislative action is necessary to implement the four-year plan to transition the General Assistance program to full state administration. Transitional costs could be significant and may minimize estimated fiscal benefits.

Implementation of a number of the administrative recommendations will require an upfront appropriation of state dollars in order to realize the potential long-term savings. The dedication of staff to cost claims resolution and the recovery of overpayments may minimize the short-term benefit of these recommendations.
## Department of Income Maintenance

**CONSULTANT:** Deloitte & Touche

### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
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<tbody>
<tr>
<td></td>
<td></td>
<td>$4,700,000</td>
<td>$15,500,000</td>
<td>$16,500,000</td>
<td>$16,500,000</td>
<td>$18,500,000</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td></td>
<td>$4,700,000</td>
<td>$20,200,000</td>
<td>$36,700,000</td>
<td>$53,200,000</td>
<td>$71,700,000</td>
</tr>
</tbody>
</table>

1. Claim certain administrative costs for federal cost reimbursement
   - N
   - Net savings: $300,000, $0, $0, $0, $0

2. Implement random moment methodology
   - N
   - Net savings: $0, $1,000,000, $1,000,000, $1,000,000, $1,000,000

3. Use private contractor for trauma recovery
   - N
   - Net savings: $1,500,000, $3,000,000, $3,000,000, $3,000,000, $3,000,000

4. Perform more TPL data matches
   - N
   - Net savings: $1,000,000, $1,000,000, $1,000,000, $1,000,000, $1,000,000

5. Enhance Medicaid/Medicare interface
   - N
   - Net savings: $0, $2,000,000, $2,000,000, $2,000,000, $2,000,000

6. Pursue billing denials and receivables
   - N
   - Net savings: $0, $500,000, $500,000, $500,000, $500,000

7. Implement federally-matched Emergency Assistance program
   - N
   - Net savings: $0, $2,500,000, $4,500,000, $4,500,000, $4,500,000

8. Implement presumptive AFDC eligib.
   - N
   - Net savings: $400,000, $3,000,000, $3,000,000, $3,000,000, $3,000,000

9. Use third-party coverage for heavy GA medical users
   - N
   - Net savings: $0, $1,000,000, $1,000,000, $1,000,000, $1,000,000

10. Create centrally managed unit to reduce overpayments
    - N
    - Net savings: $1,000,000, $1,000,000, $0, $0, $0

11. Recoup WU overpayments
    - N
    - Net savings: $500,000, $500,000, $500,000, $500,000, $500,000

12. Implement four-year plan to shift General Assistance program to full State administration
    - Y
    - Net savings: $0, $0, $0, $0, $2,000,000
DEPARTMENT OF LABOR

MISSION

Protect and regulate the labor force in Connecticut and promote employment activities, including job training and skill development; regulate wages and oversee occupational safety and health; provide mediation and arbitration services; and administer unemployment compensation.

FISCAL YEAR 1990-91 BUDGET

Total budget of $88.4 million; federal share of $69 million and a state contribution of $19.4 million.

MAJOR ISSUES

The Connecticut economy experienced steady growth throughout the 1980s. Currently, economic growth has slowed, and the state's unemployment rate is rising.

Manufacturing employment declined last year; industry-wide slowdowns in defense contracting, and the insurance and banking industries also affect state unemployment rates.

More than three-quarters of the Department of Labor's budget is made up of federal grant and program funds; the operation of federally mandated economic security programs drives departmental operations. Further, federal funding levels are determined by a combination of economic and demographic factors that vary from year to year.

The state's contribution of General Fund dollars to supplement federal funds for its economic security programs is noted. Connecticut is one of only 10 states that report such use of state monies.

MAJOR RECOMMENDATIONS

- Consolidate local office management, in response to improvements in technology use, eliminating 22 "Manager 1" positions.
- Implement procedures for direct data entry of client registration and referral data by local job service interviewers.
- Introduce incentives for employers to provide input to Unemployment Insurance (UI) fact-finding hearings.
- Eliminate state contribution to the administrative costs of local service delivery areas.
- Transfer the fiscal, accounting, and auditing functions of the state Job Training Partnership Act agency to the Business Management Division.
o Reallocate staff from the UI adjudications unit.

o Enhance the procedures for processing initial UI claims, with expanded use of mail claims, direct on-line entry of initial claims data, and integrated UI service intake procedures.

o Reduce the Connecticut Employment and Training Commission grant for drug prevention activities to its previous level, pending evaluation of the program.

o Eliminate three of the executive assistant positions and one of the executive secretary positions in the commissioner's office.

o Reduce the funding for the Job Connection contract until the under-referral problem is addressed.

o Eliminate two staff positions in the Office of Communications.

o Improve the automation of the Office of Job Training and Skills Development, the Board of Labor Relations, the Board of Mediation and Arbitration, and the Office of Wage Regulation.

o Improve the automation of the UI wage reporting process.

o Upgrade the department's data processing unit.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $5.6 million; total savings through 1994-95 are $25.9 million.

IMPLEMENTATION STRATEGIES

A two-year time frame is recommended by the consultant for recommendations regarding the consolidation of local office management and for enhancing UI claims processing procedures. Resolution of personnel issues, software development, and the institution of major changes in claims processing procedures may delay implementation of these recommendations beyond the recommended one-year target set for achievement of the balance of the recommendations.

The state's use of General Fund dollars to supplement federally-supported economic security programs should be reviewed; a study of this issue is recommended.

The implementation of recommendations is to some extent complicated by the agency's dependence on federal funding. Any program improvements must be implemented with cognizance that federal standards for promptness and accuracy must continue to be met. A rise in the state's unemployment rate will increase client-related workload.
## Department of Labor

**CONSULTANT: MAXIMUS, Inc.**

**PROJECTED NET SAVINGS/REVENUE INCREASES**

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<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$3,143,500</td>
<td>$5,570,500</td>
<td>$5,720,500</td>
<td>$5,720,500</td>
<td>$5,720,500</td>
</tr>
<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$3,143,500</td>
<td>$8,714,000</td>
<td>$14,434,500</td>
<td>$20,155,000</td>
<td>$25,875,500</td>
</tr>
</tbody>
</table>

1. **Introduce incentives for employers to provide input into UI fact findings**
   - $400,000
2. **Reduce drug prevention grant**
   - N
   - $500,000
3. **Reduce Job Connection funding**
   - N
   - $250,000
4. **Consolidate local office management**
   - N
   - $966,000
5. **Implement direct data entry procedures in local offices**
   - N
   - $280,000
6. **Eliminate state supplemental payments to local service delivery areas (SDA’s)**
   - N
   - $0
7. **Reallocate staff from the UI adjudications unit**
   - N
   - $380,000
8. **Enhance procedures for UI Claims processing**
   - N
   - $1,200,000
9. **Eliminate three exec. assistants and one secretary**
   - N
   - $212,000
10. **Eliminate two positions in the Office of Communications**
    - N
    - $92,500
11. **Improve automation of state funded programs**
    - N
    - ($64,500)
12. **Improve automation of UI wage reporting**
    - N
    - $77,500
13. **Transfer financial functions of the state JTPA agency to DOL’s Business Management Division**
    - N
    - ---
14. **Upgrade data processing unit**
    - N
    - ---

* $200,000 of these savings will accrue to the UI Trust Fund, not to the General Fund.
DEPARTMENT OF MENTAL HEALTH

MISSION

Develop, provide, and manage comprehensive community-based and inpatient mental health services for adults, especially those with serious and prolonged mental illness.

FISCAL YEAR 1990-91 BUDGET

$263.5 million, including a General Fund contribution of $258.8 million.

MAJOR ISSUES

In Connecticut, as other states, mental health treatment modalities are rapidly shifting from an institutional environment to community-based care. Programmatic and financial stresses on the Department of Mental Health arise from the fact that inpatient care costs remain high until community services are in place, requiring the costly operation of dual systems of care.

The incomplete development of a statewide network of community-based programs has continued the department’s reliance on hospital placement. While the development of community services has resulted in inpatient service reductions, average inpatient bed costs have risen. The system remains unbalanced on the side of inpatient care.

The potential for obtaining increased federal Medicaid funds for some components of community-based care is suggested as a driving force in the development of alternatives to institutionalization. A coordinated policy and cost assessment should guide facility closure decisions.

MAJOR RECOMMENDATIONS

- Realign and reduce current institutional population and transfer inappropriate client placements to alternative and community residential programs.
- Expand Medicaid coverage for selected community based services.
- Reduce personnel services costs by replacing staff and implementing stringent controls on overtime costs.
- Reduce selected operating expenses by privatizing select support services.
- Enact legislation to establish a revolving fund to assist the department with its transition from institutional care to community-based services.
- Examine opportunities for hospital closure.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $14 million; total savings through Fiscal Year 1994-95 are $86.7 million.

IMPLEMENTATION STRATEGIES

The refinancing of community-based health services through Medicaid and the development of a revenue enhancement capacity within the department are suggested as key elements of an implementation strategy. The closure of state hospitals is a long-term project that will require extensive policy analysis and planning. Achievement of this recommendation will require legislative commitment to expanded community services. Community services expansion also requires the outlay of funds for transitional phase-down operation of the hospitals and labor negotiations regarding the displacement of hospital staff.

The transfer of dually diagnosed clients, traumatic brain-injury patients, and geriatric patients from department facilities to alternative placements will require the cooperation of other agencies in implementation planning.
## Department of Mental Health

CONSULTANT: Deloitte & Touche

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$2,200,000</td>
<td>$14,000,000</td>
<td>$18,500,000</td>
<td>$23,500,000</td>
<td>$28,500,000</td>
</tr>
<tr>
<td>Cumulative Savings</td>
<td>$2,200,000</td>
<td>$16,200,000</td>
<td>$34,700,000</td>
<td>$58,200,000</td>
<td>$86,700,000</td>
</tr>
<tr>
<td>1. Placement of patients in community programs</td>
<td>N</td>
<td>$2,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>2. Placement of long-term geriatrics in alternative programs</td>
<td>N</td>
<td>$0</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>3. Placement of TBI patients in alternative programs</td>
<td>N</td>
<td>$0</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>4. Placement of MR patients in DMR programs</td>
<td>N</td>
<td>($1,000,000)</td>
<td>($1,800,000)</td>
<td>($2,800,000)</td>
<td>($2,800,000)</td>
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<tr>
<td>5. Placement of ECF patients in community programs</td>
<td>N</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<tr>
<td>6. Fixed costs of closing two state mental hospitals</td>
<td>N</td>
<td>$0</td>
<td>$5,000,000</td>
<td>$10,000,000</td>
<td>$15,000,000</td>
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<tr>
<td>7. Medicaid reimbursement for case management services</td>
<td>N</td>
<td>$300,000</td>
<td>$3,300,000</td>
<td>$3,300,000</td>
<td>$3,300,000</td>
</tr>
<tr>
<td>8. Medicaid reimbursement for social rehabilitation</td>
<td>N</td>
<td>$700,000</td>
<td>$2,100,000</td>
<td>$2,100,000</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>9. Privatization of support services</td>
<td>N</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Less: Administrative costs for 7 and 8</td>
<td>($300,000)</td>
<td>($500,000)</td>
<td>($500,000)</td>
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<tr>
<td>10. Reduction in overtime</td>
<td>N</td>
<td>$0</td>
<td>$500,000</td>
<td>$500,000</td>
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* Unspecified
DEPARTMENT OF MENTAL RETARDATION

MISSION

Plan for and assist in the development of services for individuals who have mental retardation in a manner that promotes their presence and participation in town life, opportunities to develop and exercise competence, make personal choices in the pursuit of a personal future, foster good relationships with family members and friends, and live with respect and dignity.

FISCAL YEAR 1990-91 BUDGET

$409.7 million, including a General Fund allocation of $403.6 million.

MAJOR ISSUES

The state's annual expenditures for mental retardation services are among the highest in the nation. Further, Connecticut's proportional use of state funds versus federal dollars is higher than most other states, because of its low participation in the federally funded intermediate care facility program and its limited use of Medicaid waivers.

Further, court mandates have diverted attention to a discrete group of clients directing the form and scope of services. The need for residential placement for these clients and other service consumers is the driving budgetary force in the agency's resource allocation strategy. The ability of the Department of Mental Retardation (DMR) to develop community-based services, an essential step to wider deinstitutionalization, is often limited by institutional and residential issues.

The decentralized administrative and service delivery structure, while fostering a locally responsive, creative service system, also raises issues of disparity in service scope and cost.

MAJOR RECOMMENDATIONS

- Phase out the Mansfield Training School.
- Maximize use of resources allocated for department programs by establishing an integrated and systematic method of program oversight.
- Maximize federal financial participation in the cost of department services by making optimal use of Medicaid funding available through the intermediate care facility for the mentally retarded program.
- Adjust rate setting procedures.
Maximize federal financial participation in the cost of department services by making optimal use of Medicaid funding available through the Home and Community-Based Waiver program; reduce suspended waiver claims.

Modify the method of funding and the content of case management to assure that DMR clients gain the best advantage of public funding.

Control program costs through modifications to the management structure of DMR training schools.

Modify the method of funding and the content of case management to assure that DMR clients gain the best advantage of public funding.

Control program costs through modifications to the management structure of DMR training schools.

Improve delivery through the implementation of a master personnel allocation plan.

Reduce employee costs through minimizing Workers' Compensation and overtime costs.

Improve program administration through implementation of financial management standards.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $15.6 million; total savings through Fiscal Year 1994-95 are $68.6 million.

IMPLEMENTATION STRATEGIES

The phase-out of the Mansfield Training School is an immediate, high-priority initiative, which demands significant time and attention. Implementation of recommendations that can maximize federal participation in program costs may support service improvements without appreciable increases in state funding. It should be noted that an increased dependence on Medicaid funding may bring commensurate increases in state match expenditures. Similarly, the implementation of recommendations concerning ICF-MR certification of beds may require capital improvement expenditures and staffing increases that could minimize fiscal gain.

Implementation of all Medicaid-related recommendations will require coordination with the Department of Income Maintenance, which has administrative authority over the federal program.
### Department of Mental Retardation

CONSULTANT: Deloitte & Touche

#### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$12,550,000</td>
<td>$15,600,000</td>
<td>$13,500,000</td>
<td>$13,500,000</td>
<td>$13,500,000</td>
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<tr>
<td>Cumulative Savings</td>
<td>$12,550,000</td>
<td>$28,150,000</td>
<td>$41,650,000</td>
<td>$55,150,000</td>
<td>$68,650,000</td>
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</tbody>
</table>

1. Expansion of ICF-MR beds N
   - 1990-91: $1,350,000
   - 1991-92: $2,500,000
   - 1992-93: $2,500,000
   - 1993-94: $2,500,000
   - 1994-95: $2,500,000

2. Rate setting adjustment Y
   - 1990-91: $4,600,000
   - 1991-92: $4,600,000
   - 1992-93: $0
   - 1993-94: $0
   - 1994-95: $0

3. Medicaid reimbursement of case management services N
   - 1990-91: $1,000,000
   - 1991-92: $2,400,000
   - 1992-93: $2,400,000
   - 1993-94: $2,400,000
   - 1994-95: $2,400,000

4. Increased audit activity N
   - 1990-91: $1,000,000
   - 1991-92: $1,000,000
   - 1992-93: $1,000,000
   - 1993-94: $1,000,000
   - 1994-95: $1,000,000

5. Reduced workers' comp. claims Y
   - 1990-91: $500,000
   - 1991-92: $500,000
   - 1992-93: $1,000,000
   - 1993-94: $1,000,000
   - 1994-95: $1,000,000

6. Reduction of overtime Y
   - 1990-91: $0
   - 1991-92: $500,000
   - 1992-93: $500,000
   - 1993-94: $500,000
   - 1994-95: $500,000

7. Phase-out Mansfield Training School N
   - 1990-91: $2,000,000
   - 1991-92: $2,500,000
   - 1992-93: $4,500,000
   - 1993-94: $4,500,000
   - 1994-95: $4,500,000

8. Modification of Training School management structures N
   - 1990-91: $100,000
   - 1991-92: $100,000
   - 1992-93: $100,000
   - 1993-94: $100,000
   - 1994-95: $100,000

9. Maximization of enrollment in waiver program N
   - 1990-91: $500,000
   - 1991-92: $1,000,000
   - 1992-93: $1,000,000
   - 1993-94: $1,000,000
   - 1994-95: $1,000,000

10. Claiming of state-operated day services under waiver program N
    - 1990-91: $500,000
    - 1991-92: $500,000
    - 1992-93: $500,000
    - 1993-94: $500,000
    - 1994-95: $500,000

11. Reduction of suspended claims under waiver program N
    - 1990-91: $1,000,000
    - 1991-92: $0
    - 1992-93: $0
    - 1993-94: $0
    - 1994-95: $0
DEPARTMENT OF MOTOR VEHICLES

MISSION

License, register, and regulate motor vehicles and their operators; collect revenues related to licensure, registration, sales taxes, and user fees; and collect and disseminate information regarding motor vehicles and their operation.

FISCAL YEAR 1990-91 BUDGET

$57.6 million, including a General Fund appropriation of $38.4 million.

MAJOR ISSUES

The Department of Motor Vehicles has initiated a five-year, $43.5 million program of capital improvements in its branch offices. It has recently implemented organizational changes, including the combination of branch office registry and inspection functions. The bulk of agency activity, comprised of motor vehicle registration and operator licensing, has remained relatively unchanged over the past 10 years. Still, the department is severely handicapped by its dependence on outdated, outmoded data processing technology.

MAJOR RECOMMENDATIONS

- Establish registry staffing within branch offices at standard productivity levels, and in subsequent years, at higher productivity standards, with a reduction in force of 52 positions over three years.
- Establish central office staffing at productivity levels, with a reduction in force of 31 positions.
- Restructure the branch supervisory organization to reduce the chain of command and increase spans of control, with a reduction in force of five positions.
- Increase mail-in registration renewals and implement procedural changes in mail handling.
- Reduce overtime and implement other procedural changes at branch offices regarding time-intensive services.
- Privatize vehicle safety inspection.
- Reduce emissions field station staffing by privatizing most functions and centralizing station monitoring activities.
o Modify the capital improvement program now in progress by reducing the number of branch offices.

o Establish late fees for failure to register vehicles or obtain vehicle emission inspections by required due dates.

o Establish a fee for pre-scheduled operator licensure road testing appointments.

o Increase fees for restorations of suspended licenses and vehicle registrations from $10 to $50.

o Extend branch hours of operation through use of rotating employee shifts.

o Improve branch office layouts, and revise signing and customer information procedures.

o Streamline the registration renewal process components relating to property tax payments and insurance coverage.

o Revise short-and long-term plans for data processing system development.

o Modify the accounting structure of the department by combining revenues and expenditures in a single special revenue fund.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $9.5 million; total savings through Fiscal Year 1994-95 are $53.9 million.

IMPLEMENTATION ISSUES

Legislative action is required for implementation of recommendations regarding fees-for-service and the establishment of a special revenue fund.

While the bulk of the recommendations could be accomplished within two years, other activity, such as achieving recommended personnel configurations and long-term systems development planning, may require three years or more to implement. While recommendations have been structured to minimize impact on essential service delivery, some reduction in the consumer convenience factor may be realized. The development of facility plans within the capital program is also a time-intensive activity.
## PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
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<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$8,876,000</td>
<td>$9,460,000</td>
<td>$9,780,000</td>
<td>$12,890,000</td>
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<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$8,876,000</td>
<td>$18,336,000</td>
<td>$28,116,000</td>
<td>$41,006,000</td>
<td>$53,896,000</td>
</tr>
<tr>
<td>1. Increase mail-in registration renewals; implement procedural changes</td>
<td>N</td>
<td>$25,000</td>
<td>$565,000</td>
<td>$565,000</td>
<td>$565,000</td>
</tr>
<tr>
<td>2. Privatize vehicle safety inspection facilities</td>
<td>N</td>
<td>($80,000)</td>
<td></td>
<td>$880,000</td>
<td>$880,000</td>
</tr>
<tr>
<td>3. Increase level of privatization of emissions inspection stations</td>
<td>N</td>
<td></td>
<td>$240,000</td>
<td>$240,000</td>
<td>$240,000</td>
</tr>
<tr>
<td>4. Modify Capital program; reduce number of branch offices</td>
<td>N</td>
<td></td>
<td></td>
<td>$1,875,000</td>
<td>$1,875,000</td>
</tr>
<tr>
<td>5. Increase fees for late vehicle registration/emissions testing</td>
<td>Y</td>
<td>$4,440,000</td>
<td>$4,440,000</td>
<td>$4,440,000</td>
<td>$4,440,000</td>
</tr>
<tr>
<td>6. Establish a fee for road tests</td>
<td>Y</td>
<td>$1,180,000</td>
<td>$1,180,000</td>
<td>$1,180,000</td>
<td>$1,180,000</td>
</tr>
<tr>
<td>7. Increase fees for restoration of suspended licenses</td>
<td>Y</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
<td>$800,000</td>
</tr>
<tr>
<td>8. Establish branch office productivity standards</td>
<td>N</td>
<td>$695,000</td>
<td>$695,000</td>
<td>$695,000</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>9. Establish central office productivity standards</td>
<td>N</td>
<td>$1,100,000</td>
<td>$1,100,000</td>
<td>$1,100,000</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>10. Restructure branch supervisory chain of command</td>
<td>N</td>
<td>$145,000</td>
<td>$365,000</td>
<td>$365,000</td>
<td>$365,000</td>
</tr>
<tr>
<td>11. Reduce overtime</td>
<td>N</td>
<td>$395,000</td>
<td>$395,000</td>
<td>$395,000</td>
<td>$395,000</td>
</tr>
<tr>
<td>12. Streamline certain components of the registration renewal process</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13. Revise data processing system development</td>
<td>N</td>
<td></td>
<td></td>
<td>$96,000</td>
<td></td>
</tr>
<tr>
<td>14. Modify accounting structure; combine revenues and expenditures in a single SRF</td>
<td>N</td>
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</tbody>
</table>

* One-time $8,500,000 reduction in the capital budget.
** One-time $5,200,000 reduction in the capital budget.
*** Cost of $800,000 over 4-year period.
DEPARTMENT OF PUBLIC SAFETY

MISSION

Provide a coordinated, integrated program for the protection of life and property to the citizens of the state with major functions being the provision of state police services and fire and building safety.

FISCAL YEAR 1990-91 BUDGET

Total budget of $84.7 million, includes a General Fund appropriation of $81.6 million and federal contributions of $1.7 million.

MAJOR ISSUES

Because Connecticut does not have county-level law enforcement agencies, the state police provide full-service law enforcement services to approximately one-half of the towns in Connecticut. These towns are being subsidized at the expense of towns that have their own police departments.

In addition, the Department of Public Safety provides a number of services for all towns in the state, including towns that have their own police departments. These services include evidence processing (forensic lab), operation of the COLLECT system (the computerized police information system), compilation of crime statistics, and the operation of specialized units in such areas as narcotics enforcement.

Personnel policies are a major issue in the department because of the need to provide round-the-clock service as part of the patrol function. Policies have had to be developed with regard to shift scheduling, days off, overtime, personal use of cars, and retirement plans associated with hazardous duty requirements.

MAJOR RECOMMENDATIONS

- Require towns to pay 100 percent of the costs of resident troopers.
- Introduce contract policing and require towns to pay the cost of state police patrols; study the option of regional policing.
- Require local police departments to pay the cost of COLLECT system usage.
- Provide laptop computers for the entry of State Police Resource and Management Information System (SPRAMIS) data; eliminate the SPRAMIS data entry operators.
- Implement procedures for the electronic transmission of crime and accident reports from the field; increase the charges for copies of accident reports.
- Implement procedures for the electronic transmission of court disposition data to the State Police Bureau of Investigation; implement on-line booking procedures.
- Implement computer-aided dispatching and an automated E-911/CAD/SPRAMIS interface; study the cost-effectiveness of district-level dispatching.
- Rewrite the COLLECT code to reduce operating costs.
- Implement a "5-2" schedule for all sworn personnel and eliminate the portal-to-portal system.
- Require personnel to reimburse the state for the off-duty use of cars.
- Improve the automation of the time and attendance system.
- Make changes in airport police personnel to streamline the operation; charge the Enterprise Fund for all legitimate costs of airport security.
- Provide the Department of Income Maintenance with the authority to process welfare fraud cases up to $5,000; provide DIM staff with the authority to process arrest affidavits; reduce the number of personnel in the Welfare Investigation Unit.
- Conduct an assessment of the needs of state agencies for protective service officers.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $4.6 million; total savings through Fiscal Year 1994-95 are $39.4 million.

**IMPLEMENTATION STRATEGIES**

Legislation is required to implement many of the recommendations, including those with the largest savings. Some of the recommendations also require renegotiation of union agreements; others require action by other executive agencies.
# Department of Public Safety

CONSULTANT: MAXIMUS, Inc.

**PROJECTED NET SAVINGS/REVENUE INCREASES**

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<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$4,623,100</td>
<td>$5,054,300</td>
<td>$13,548,800</td>
<td>$16,206,800</td>
<td>$16,206,800</td>
</tr>
<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$4,623,100</td>
<td>$9,677,400</td>
<td>$23,226,200</td>
<td>$39,433,000</td>
<td>$55,639,800</td>
</tr>
</tbody>
</table>

1. **Require towns to pay 100 percent of the cost of the resident trooper program**
   - 1991-92: $2,089,900
   - 1992-93: $2,089,900
   - 1993-94: $2,089,900
   - 1994-95: $2,089,900
   - 1995-96: $2,089,900

2. **Abolish the resident trooper program and implement a contract policing system**
   - 1991-92: ($150,000)
   - 1992-93: $0
   - 1993-94: $6,067,000
   - 1994-95: $6,067,000
   - 1995-96: $6,067,000

3. **Charge local police departments for COLLECT usage**
   - 1991-92: $864,000
   - 1992-93: $864,000
   - 1993-94: $864,000
   - 1994-95: $864,000
   - 1995-96: $864,000

4. **Increase the current charges for copies of accident reports**
   - 1991-92: $200,000
   - 1992-93: $200,000
   - 1993-94: $200,000
   - 1994-95: $200,000
   - 1995-96: $200,000

5. **Implement a 5-2 schedule for all sworn personnel and eliminate the portal-to-portal system**
   - 1991-92: $0
   - 1992-93: $0
   - 1993-94: $3,050,000
   - 1994-95: $3,050,000
   - 1995-96: $3,050,000

6. **Provide DIM with authority to process welfare fraud cases up to $5,000; provide DIM staff with the authority to process arrest affidavits**
   - 1991-92: $0
   - 1992-93: $342,000
   - 1993-94: $342,000
   - 1994-95: $342,000
   - 1995-96: $342,000

7. **Improve the automation of the Department’s operations**
   - 1991-92: ($250,000)
   - 1992-93: ($1,500,000)
   - 1993-94: ($1,500,000)
   - 1994-95: $1,158,000
   - 1995-96: $1,158,000

8. **Require personnel to reimburse the department for personal use of cars**
   - 1991-92: $1,330,000
   - 1992-93: $1,257,500
   - 1993-94: $1,257,500
   - 1994-95: $1,257,500
   - 1995-96: $1,257,500

9. **Improve the automation of the time and attendance system**
   - 1991-92: $20,000
   - 1992-93: $140,000
   - 1993-94: $140,000
   - 1994-95: $140,000
   - 1995-96: $140,000

10. **Dispose of the range facility at Simsburg and using an alternative site; colocate the eastern district HQ with the new troop C**
    - 1991-92: $0
    - 1992-93: $550,000
    - 1993-94: $0
    - 1994-95: $0
    - 1995-96: $0

11. **Make personnel changes at Troop W and charge the enterprise fund for all legitimate costs of airport security**
    - 1991-92: $519,200
    - 1992-93: $1,038,400
    - 1993-94: $1,038,400
    - 1994-95: $1,038,400
    - 1995-96: $1,038,400

* Requires administrative action by other agencies
DEPARTMENT OF PUBLIC WORKS

MISSION

Manage the state's real property assets through facility planning, property acquisition and leasing, design and construction, maintenance, and the disposal of surplus acreage and buildings.

FISCAL YEAR 1990-91 BUDGET

Total budget of $39.1 million, including a General Fund appropriation of $31.9 million.

MAJOR ISSUES

The Department of Public Works (DPW) lacks authority to initiate necessary planning inventories or enforce their use, leading to wasteful expenditures and leases of unnecessary space for state agencies.

State facilities and property face exceptional maintenance expenses, but there is no effective preventive maintenance program.

The state has instituted numerous checks to ensure leasing and other processes are thorough and proper. These checks exceed common practice, delay these processes, and increase costs.

The process for disposing of surplus property and buildings remains very cumbersome.

MAJOR RECOMMENDATIONS

- Identify and sell surplus and marginally used state property.
- Improve the screening of capital outlay and leasing requests.
- Contract with private custodial firms for the maintenance of all buildings in the Hartford area that are currently maintained by the Department of Public Works.
- Develop preventive maintenance programs for all buildings in the Hartford area and establish standards statewide.
- Eliminate peer reviews of architect and engineer drawings.
- Sanction DPW development and enforcement of facilities inventories and master site plan requirements for executive branch agencies. Approval of capital outlay requests should be contingent upon their satisfactory completion.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $60.1 million; total savings through Fiscal Year 1994-95 are $68.3 million.

IMPLEMENTATION STRATEGIES

A number of the recommendations can be implemented through agency action. Others will require coordination with the Office of Policy and Management. One, the contracting of maintenance in Hartford, will require a phased approach due to union contracts.

Other recommendations will require legislative action to change and clarify Title 4B of the General Statutes.
### Department of Public Works

CONSULTANT: MAXIMUS, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tr>
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<td>$60,083,845</td>
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<td>$2,444,284</td>
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<td>Cumulative Savings</td>
<td>$60,083,845</td>
<td>$63,100,242</td>
<td>$65,801,422</td>
<td>$68,324,420</td>
<td>$70,768,704</td>
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<tbody>
<tr>
<td>Improve Capital Building and Evaluation</td>
<td>Y $21,489,220</td>
<td>$169,000</td>
<td>$169,000</td>
<td>$169,000</td>
<td>$169,000</td>
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<tr>
<td>Recover Fees for architect/engineer errors and omissions</td>
<td>N $1,567,271</td>
<td>$1,112,070</td>
<td>$741,760</td>
<td>$494,748</td>
<td>$329,997</td>
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<tr>
<td>Expand Contracting for Custodial Services</td>
<td>N $807,550</td>
<td>$1,615,102</td>
<td>$1,615,102</td>
<td>$1,615,102</td>
<td>$1,615,102</td>
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<tr>
<td>Dispose of Surplus Property</td>
<td>N $27,693,600</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Develop Facilities Inventories</td>
<td>N ($250,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
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<tr>
<td>Eliminate Peer Review</td>
<td>Y $176,204</td>
<td>$220,225</td>
<td>$275,318</td>
<td>$344,148</td>
<td>$430,185</td>
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</table>

IV-95
DEPARTMENT OF REVENUE SERVICES

MISSION

Ascertain the accuracy of state taxes paid and ensure compliance with state tax laws and regulations; research and estimate the effects of various taxing options proposed by policy makers.

FISCAL YEAR 1990-91 BUDGET

The General Fund appropriation of $38.3 million comprises the total budget.

MAJOR ISSUES

During the last three years, the Department of Revenue Services has undertaken several initiatives that have resulted in productivity increases, efficiency improvements, and increased revenue generation. However, increased pressure to achieve greater performance has placed added responsibilities on staff and management. This production, coupled with a poor physical work environment, created a productivity backlash. Staff express the need for additional personnel, while the department looks to improve productivity and efficiency through automation.

Although the department was reorganized in Fiscal Year 1987-88, opportunities exist for greater organizational efficiencies.

MAJOR RECOMMENDATIONS

1. Improve communication of goals and objectives to enhance employee morale; improve physical environment; invest in automated information systems.
2. Increase the number of examiners in the Sales and Use Tax Interstate Unit but not in any other audit division. Do not increase the number of collection agents.
3. Continue to develop meaningful production measures while avoiding a tendency to micro manage.
   - Reorganize structure.
   - Replace the deputy commissioner of administration position with an operations manager position.
   - Implement the proposed Appellate Division structure to reduce backlog of cases.
Integrate the Inheritance Division into the Operations and Audit Divisions.

- Add four revenue examiners to the interstate units.
- Restructure the Interstate Sales and Use Tax Subdivision by eliminating six interstate revenue examiner positions.
- Transfer the affirmative action officer, affirmative action program manager and senior clerk positions out of the Administrative and Fiscal Services Division into the commissioner’s office.
- Transfer the registration of fisherman, farmers, and non-profit organizations to the Operations Division.

- Improve Accounts Receivable by adding an assistant attorney general for bankruptcies and two assistant attorney general positions for litigation; implement proposed Appellate Division structure.

- Automated Information Systems:
  - Acquire additional laptop computers for revenue examiners.
  - Add data entry operators to the Department of Motor Vehicles or have that department contract with outside keying service.
  - Install an automated dialing system for the Collections and Enforcement Division.
  - Use optical scanning of tax returns in lieu of data entry.
  - Use imaging to store corporate tax return data on an optical disk.
  - Implement an automated vendor offset program.

- Continue efforts to strengthen audit selection and control efforts.

- Develop procedures to allow collection agents to make deposits at branches in the field.

- Implement mail warrants for the Collections and Enforcement Division.

- Assign two revenue examiners to the Corporation Tax Subdivision to focus on nexus activity.

- Eliminate one vacant assistant unit manager position in the Sales Tax-Special Products Division.

- Acquire 30 headsets to increase productivity of collection agents.

- Hire two additional attorneys for the Legal Division to prepare regulations and support the Appellate Division and the attorney general’s office.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $59.7 million; total savings through Fiscal Year 1994-95 are $154 million.

IMPLEMENTATION STRATEGIES

The department should work closely with the Office of Policy and Management and the state Personnel Division to administer organizational and staffing changes. Internal policies and procedures will need modification to be consistent with the restructured organization. The communication of policy and procedural change to employees is important to productivity and morale. The majority of the cost savings activities will not require legislative action.
## Department of Revenue Services

CONSULTANT: KPMG Peat Marwick

### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th>Action</th>
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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
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<tr>
<td>Net Savings From All Recommendations</td>
</tr>
<tr>
<td>Cumulative Savings</td>
</tr>
<tr>
<td>1. Consolidate department to one site</td>
</tr>
<tr>
<td>2. Eliminate one Deputy Commissioner</td>
</tr>
<tr>
<td>3. Create Operations Manager position</td>
</tr>
<tr>
<td>4. Service contracts for copiers</td>
</tr>
<tr>
<td>5. Eliminate vacant Unit Manager position</td>
</tr>
<tr>
<td>6. Add six Revenue Processor positions</td>
</tr>
<tr>
<td>7. Eliminate five Revenue Examiner position</td>
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<tr>
<td>8. New cigarette stamping equipment</td>
</tr>
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<td>9. Add Attorney General position to increase bankruptcy collections</td>
</tr>
<tr>
<td>10. Telephone auto-dialing system</td>
</tr>
<tr>
<td>11. Telephone headsets</td>
</tr>
<tr>
<td>12. Two new A.G. positions for appellate division litigation</td>
</tr>
<tr>
<td>13. Two new A.G. positions for legal division</td>
</tr>
<tr>
<td>14. Focus on nexus opportunities</td>
</tr>
<tr>
<td>15. Interstate sales tax enhancement</td>
</tr>
<tr>
<td>16. H-13 auto sales tax processing</td>
</tr>
<tr>
<td>17. Examiner productivity enhancements</td>
</tr>
<tr>
<td>18. Serve warrants through the mail</td>
</tr>
<tr>
<td>19. Identify lawyers evading occupational tax</td>
</tr>
<tr>
<td>20. Vendor offset payments</td>
</tr>
<tr>
<td>21. Appellate division structure</td>
</tr>
<tr>
<td>22. Reduce appellate division backlog</td>
</tr>
<tr>
<td>23. Integrate inheritance division</td>
</tr>
</tbody>
</table>

IV-100
DEPARTMENT OF TRANSPORTATION

MISSION

Provide for the construction, expansion, rehabilitation, operation, and maintenance of 7,000 miles of roads, bridges, half a dozen airports, including Bradley International, numerous transit properties, including commuter rail, port, and marine facilities, as well as transportation services for the traveling public, shippers, and private transportation carriers.

FISCAL YEAR 1990-91 BUDGET

$374.2 million, including a Transportation Fund appropriation of $327.8 million.

MAJOR ISSUES

The Department of Transportation is now in its sixth year of a ten-year $7 billion infrastructure renewal program. Fiscal projections by the department indicate that expenses will exceed revenue by $5.5 million in Fiscal Year 1991-92, with a cumulative net negative balance of $79.4 million in Fiscal Year 1993-94. The department needs to develop an overall, long-term, financial capacity analysis that links its current commitments and planned projects to specific funding programs designed to support them.

MAJOR RECOMMENDATIONS

- Accelerate the investigation of outsourcing equipment refueling stations.
- Improve management of and procedures for consultant selection for design projects.
- Increase direct purchase of stock and non-stock items.
- Implement a new, automated equipment management information system.
- Design and implement a new, automated inventory management system.
- Perform a cost-benefit analysis on the conversion to IBM systems.
- Reduce the inventory of parts kept at each repair garage.
- Organize procurement personnel by commodity groups.
- Improve the environmental permit application process through consolidation, standardization, and implementation of a single permit tracking system.
- Conduct an assessment of fleet requirements and performance.
o Establish a system of user charges for vehicles and equipment.

o Reduce the number of mechanics.

o Conduct a comprehensive facility planning study.

o Consolidate the current positions, roles, and responsibilities of various chief and assistant chief senior management positions.

o Establish a strategic management unit.

o Consolidate financial planning and analysis oversight functions.

o Consolidate property management activities.

o Reassign the functions of the staff services unit within the Bureau of Administration.

o Evaluate staffing within the general aviation program.

o Consolidate units within the Bureau of Planning.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $17.8 million; total savings through Fiscal Year 1994-95 are $120.1 million.

IMPLEMENTATION STRATEGIES

State statutes govern transportation financing practices. Legislative approval must be forthcoming to implement changes in revenue generation strategies. Agency-based management recommendations are intended to achieve savings through promoting a better awareness of costs and savings opportunities in normal day-to-day operations.
## Department of Transportation

**CONSULTANT:** Ernst & Young

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>$2,100,000</td>
<td>$17,850,000</td>
<td>$32,650,000</td>
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<tbody>
<tr>
<td>$2,100,000</td>
<td>$19,950,000</td>
<td>$52,600,000</td>
<td>$87,450,000</td>
<td>$120,100,000</td>
<td></td>
</tr>
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</table>

1. **Improve procedures for consultant selection for design projects**
   - Y
   - $13,000,000
   - $27,000,000
   - $27,000,000
   - $27,000,000
   - $27,000,000

2. **Consolidate water-related permits with DEP**
   - N

3. **Develop a wetlands banking program**
   - Y
   - ($250,000)

4. **Perform a detailed assessment of information systems**
   - N

5. **Adopt methodology for future systems development**
   - N
   - $50,000
   - $50,000
   - $50,000

6. **Appoint a database administrator**
   - N
   - ($50,000)
   - ($50,000)
   - ($50,000)
   - ($50,000)

7. **Consolidate the responsibilities and roles of various positions**
   - N
   - $350,000
   - $350,000
   - $350,000
   - $350,000

8. **Investigation of outsourcing equipment refueling stations**
   - N
   - $1,000,000
   - $1,000,000
   - $1,000,000
   - $1,000,000

9. **Increase direct purchasing**
   - N
   - $100,000
   - $100,000
   - $100,000
   - $100,000

10. **Implement automated inventory management**
    - N
    - ($400,000)
    - $100,000
    - $100,000
    - $100,000

11. **Reduce on site parts inventories**
    - N
    - $1,000,000
    - $1,000,000
    - $1,000,000
    - $1,000,000

12. **Reorganize procurement personnel**
    - N
    - $500,000
    - $500,000
    - $500,000
    - $500,000

13. **Improve environmental permit approval and tracking procedures**
    - N
    - $1,900,000
    - $2,900,000
    - $2,200,000

14. **Implement equipment management information systems**
    - N
    - ($400,000)
    - $1,000,000
    - $1,000,000
    - $1,000,000

15. **Establish equipment user charges**
    - N

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IV-103
<table>
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<tr>
<th></th>
<th>Description</th>
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<tbody>
<tr>
<td>16.</td>
<td>Assess fleet requirements</td>
<td>N</td>
<td></td>
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<tr>
<td>17.</td>
<td>Reduce the number of mechanics</td>
<td>N</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
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<tr>
<td>18.</td>
<td>Conduct a comprehensive facilities planning study</td>
<td>N</td>
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<tr>
<td>19.</td>
<td>Perform a cost-benefit analysis for conversion to IBM systems</td>
<td>N</td>
<td></td>
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<tr>
<td>20.</td>
<td>Create strategic management unit</td>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Consolidate financial planning and analysis</td>
<td>N</td>
<td>$200,000</td>
<td>$400,000</td>
<td>$400,000</td>
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<tr>
<td>22.</td>
<td>Consolidate units within the Bureau of Planning</td>
<td>N</td>
<td></td>
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<tr>
<td>23.</td>
<td>Evaluate aviation program staffing</td>
<td>N</td>
<td></td>
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<tr>
<td>24.</td>
<td>Reassign staff services unit</td>
<td>N</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
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<tr>
<td>25.</td>
<td>Consolidate concessions and purchasing</td>
<td>N</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>26.</td>
<td>Dedicate taxes for transportation purposes</td>
<td>Y</td>
<td></td>
<td></td>
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<tr>
<td>27.</td>
<td>Prequalify for design projects</td>
<td>Y</td>
<td></td>
<td></td>
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<tr>
<td>28.</td>
<td>Reduce number of firms interviewed</td>
<td>Y</td>
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<td></td>
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<tr>
<td>29.</td>
<td>Eliminate SPRB approval of consultant selection and architectural design work</td>
<td>Y</td>
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</tbody>
</table>

* These cost savings are based on a specific list of projects which were scheduled between November 1990 and November 1994, as of April 1990. The list of projects which require permits will change continuously as projects move through the design process. Savings could be higher or lower depending on which projects are actually implemented. Further, the cost savings could vary depending on the current status of the construction cost index. Finally, the amount may vary depending on which recommendations are adopted.

** (Potential exists for reducing fleet size and capital costs)

*** (Potential exists for reducing future capital costs)
DEPARTMENT OF VETERANS' AFFAIRS

MISSION

Provide advocacy for veterans' interests, assist them in obtaining health services, and refer them to other quality services as provided under Public Act 86-175; integrate the diverse resources available to veterans and provide for new and expanded programs.

FISCAL YEAR 1990-91 BUDGET

Total budget $25.2 million, including $19.1 million in General Fund dollars, $6 million in special non-appropriated funds, and $170,000 in other funds.

MAJOR ISSUES

The Department of Veterans' Affairs interprets its mission as direct service delivery rather than coordination of services at a time when budgetary constraints dictate that greater emphasis be placed on advocacy and assistance in obtaining services.

The current organization is dysfunctional and is based on political expediency rather than improved administration.

Some facilities are poorly utilized, land is undeveloped, and some services are over-staffed. In addition, the mix of services offered is inappropriate to the needs of the patient population. An increase in younger patients dictates the need for better programs to encourage re-entry into society. In addition, many patients are alcohol or substance abusers and require improved recovery programs.

Not enough service officers exist to provide advocacy functions, and coordination of services among agencies needs improvement.

No Medicaid funds are used due to the complex billing system and the perception by veterans' groups that Medicaid is "welfare." Patient workers do not have their wages counted in determining income for billing purposes.
MAJOR RECOMMENDATIONS

- Amend the mission of the department to focus more on advocacy and assistance in obtaining services rather than on direct service provision. Amend statutes to release the agency from the obligation for needy patient and dependents care, and place greater emphasis on obtaining federal Veterans Administration benefits.

- Restructure the department to improve administration, planning, program development, and service delivery.

- Sell unused land, reduce ancillary staff by 10 percent, reduce nursing and physician staff to closer to the minimum level required by the Connecticut Public Health Code, and hire a psychiatrist to improve patient care.

- Increase the patient census and change the bed mix to more appropriately reflect the patient population.

- Charge patient workers a minimal amount for each day’s care to increase their self worth as well as increase billings.

- Develop programs to rehabilitate veterans and transition them to re-entry into society.

- Reach out to homeless veterans, thus increasing the patient population and spreading fixed costs over more patients.

- Develop programs for substance abusers and cease serving alcoholic beverages at Fox Hole.

- Establish administrative processes for facilities construction, repair, and renovation as well as asset management programs to better administer facilities and equipment.

- Reassign service officers to improve advocacy and serve veterans entitled to federal benefits.

- Improve relationships with service organizations to enhance inter-agency coordination.

- Once the automated billing system is implemented, analyze costs and benefits of becoming a Medicaid provider.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $10.9 million; total savings through Fiscal Year 1994-95 are $28.1 million.
IMPLEMENTATION STRATEGIES

Statutory change is needed to facilitate a departmental shift in emphasis on advocacy and providing assistance in obtaining services. All administrative functions should be consolidated into an administrative division. Inter-agency coordination is required.
### Department of Veterans' Affairs

CONSULTANT: MGT of America, Inc.

**PROJECTED NET SAVINGS/REVENUE INCREASES**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$2,449,182</td>
<td>$13,347,545</td>
<td>$18,245,908</td>
<td>$23,144,271</td>
<td>$28,042,634</td>
</tr>
</tbody>
</table>

**Organizational/Administrative**

1. Emphasize Advocacy and Providing Assistance
   - N  
   - $312,500 $625,000 $625,000 $625,000 $625,000

2. Consolidate Administration Security force not police
   - N  
   - $50,000 $100,000 $100,000 $100,000 $100,000

3. Sell unused land
   - Y  
   - $0 $6,000,000 $0 $0 $0

4. Reduce ancillary service employees by ten percent
   - N  
   - $6,000,000 $6,000,000 $6,000,000 $6,000,000 $6,000,000

5. Reduce nursing staff by 10 percent
   - N  

6. Eliminate Doctors' night shift
   - N  
   - $72,500 $145,000 $145,000 $145,000 $145,000

7. Hire Psychiatrist
   - N  
   - ($58,000) ($116,000) ($116,000) ($116,000) ($116,000)

8. Realign Health Services
   - N  
   - ($58,000) ($116,000) ($116,000) ($116,000) ($116,000)

**Program/Operations**

9. Advocacy for veterans to increase federal funding
   - N  
   - $1,500,000 $3,000,000 $3,000,000 $3,000,000 $3,000,000

**Revenue Enhancement**

10. Charge employed veterans $6 per day room/board
    - N  
    - $250,000 $500,000 $500,000 $500,000 $500,000

---

IV-108
DEPARTMENT ON AGING

MISSION

Help elderly persons live with dignity, security, and independence; act in an advisory capacity to all state agencies to ensure the needs of the elderly are addressed; coordinate the services network for elderly residents.

FISCAL YEAR 1990-91 BUDGET

Total budget of $60.5 million, including $44.9 million in General Fund appropriations, $15.5 million in federal funds, and $166,314 in private contributions.

MAJOR ISSUES

The mission of the Department on Aging is not clearly communicated and strategic long-range planning is poor. Staffing levels are uneven across divisions, and the information and referral function could be performed by Info-Line.

The department has little control over its contracts with Area Agencies on Aging, and master contracts proposed have been denied by the attorney general. Optional programs and services offered by area agencies are often superfluous. Many grants only benefit limited portions of the state.

ConnPACE is an expensive prescription drug program for the elderly and disabled, and income limits are high. Senior citizens are not assessed an enrollment fee, generic drugs are not encouraged, and limited audits of pharmacies are conducted.

Increased demand for frail elderly programs is increasing the department’s costs, and the sliding scale fees charged are insufficient.

Regional ombudsmen workloads are very uneven across the five regions. Ombudsmen only spend limited days per month for unannounced nursing home visits.

MAJOR RECOMMENDATIONS

- Institute participatory management allowing operational decisions to be made at the lowest practical level, based on decisions to be made at the lowest practical level, based on long-term planning.

- Eliminate the deputy commissioner position.
o Eliminate the information and referral service and its 800 number since service can be provided by the governor's Info-line.

o Continue to work with the attorney general's office to develop master contracts. Improve grant and contract monitoring.

o Re-evaluate optional programs and eliminate staffing of ConnMAP.

o Revise the ConnPACE program by lowering the income eligibility limit to concentrate on the most needy elderly, charging enrollment fees, and requiring enrollees to pay the difference between the costs of generic and brand name drugs.

o Increase the sliding fee scale for the Promotion of Independent Living programs to account for half of the cost of serving the client.

o Consolidate the five ombudsman regions into three, and set aside additional days per month for unannounced nursing home visits.

o Examine the practice of awarding grants to specific areas of the state for benefits that are not available statewide.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $7.6 million; total savings through Fiscal Year 1994-95 are $34.4 million.

IMPLEMENTATION STRATEGIES

Most recommendations involve departmental change. Major service programs need increased revenues in order to concentrate on the most needy elderly. Other action includes inter-agency cooperation. A few of the recommendations will require legislative action.
### Department on Aging

CONSULTANT: MGT of America, Inc.

**PROJECTED NET SAVINGS/REVENUE INCREASES**

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$3,822,125</td>
<td>$7,644,250</td>
<td>$7,644,250</td>
<td>$7,644,250</td>
<td>$7,644,250</td>
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<tr>
<td>Cumulative Savings</td>
<td>$3,822,125</td>
<td>$11,466,375</td>
<td>$19,110,625</td>
<td>$26,754,875</td>
<td>$34,399,125</td>
</tr>
</tbody>
</table>

**Organization/Administrative**

1. **Eliminate Deputy Commissioner**
   - N
   - $36,250

2. **Eliminate information & referral service**
   - N
   - $56,400

3. **Eliminate three ConnMAP positions**
   - N
   - $69,700

4. **Lower ConnPACE income limit**
   - Y
   - $2,400,000

5. **Create $10 ConnPACE enrollment fee**
   - Y
   - $200,000

6. **ConnPACE implement Generic incentive program**
   - Y
   - $725,000

7. **PIL increase sliding scale fee to $135/month**
   - Y
   - $182,500

8. **3 ombudsmen regions instead of 5**
   - N
   - $6,600

9. **Centralize ombudsmen clerks; delete 3 positions**
   - N
   - $43,500

10. **Conduct 2 unannounced nursing home visits/month**
    - N
    - $100,000

**Revenue Enhancements**

11. **Return field representative from volunteer program**
    - N
    - $2,175

---

IV-111
DIVISION OF CRIMINAL JUSTICE

MISSION

Prosecute criminal cases (both felonies and misdemeanors) coming before Connecticut state courts and represent the state in federal criminal cases.

FISCAL YEAR 1990-91 BUDGET

Total budget is $20.4 million, which includes a General Fund appropriation of $20 million.

MAJOR ISSUES

For many years, the criminal prosecutorial function in Connecticut was decentralized among 12 judicial districts (JDs), each headed by an appointed state's attorney. Because prosecutorial and administrative policies were set at the JD level by each state's attorney, Connecticut in effect had 12 distinct prosecutorial approaches. With the formation of the Division of Criminal Justice, including the Office of Chief State's Attorney, a number of specialized prosecutorial and support functions have been centralized. These include appeals, Medicaid fraud, racketeering accounting, training, and data processing. Tension continues to exist between the 12 state's attorneys and the chief state's attorney's office regarding centralization and independence.

Workload in a prosecutorial environment is difficult to measure. Cases involving traffic violations typically require far less staff time than more serious crimes. In Connecticut, only a small percentage of cases actually go to trial. Most are handled through pleas, plea bargaining, or other ways. Court operations, the schedules of judges, and the effectiveness of court clerk operations -- none of which are controlled by the division -- also have an impact on the efficiency of the use of prosecutorial resources. Finally, specialized cases such as racketeering, white collar crime, Medicaid fraud, and appeals may require many months to develop and prosecute, but may appear the same on a workload analysis as some less time-consuming offense.

MAJOR RECOMMENDATIONS

- Provide the chief state's attorney with authority for evaluating and disciplining state's attorneys.
- Decentralize authority for financial management to each state's attorney within guidelines established by the central office and hold each accountable.
- Revamp the division's motor vehicle policy, establishing a fleet approach and eliminating personal assignment of automobiles.
- Develop workload profiles for prosecutors and other staff.
- Abolish selected inspector positions in the field and establish replacement ones at a lower level, reflecting the elimination of police powers.
- Transfer certain inspector and accountant positions now in the central office to the Department of Public Safety.
- Eliminate selected filled and vacant positions in the central office.
- Strengthen agency-wide training by doing professional needs assessments, developing comprehensive plans, more effectively involving local office staff, and transferring union negotiation responsibilities from the training coordinator.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $2.6 million; total savings through 1994-95 are $10.7 million.

**IMPLEMENTATION STRATEGIES**

A number of the recommendations will require statutory revisions. Others will require coordination with the state Personnel Division. Several recommendations can be handled through administrative and procedural adjustments.
## Division of Criminal Justice

CONSULTANT: MAXIMUS, Inc.

### PROJECTED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$2,599,251</td>
<td>$2,699,251</td>
<td>$2,699,251</td>
<td>$2,699,251</td>
<td>$2,699,251</td>
</tr>
<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$2,599,251</td>
<td>$5,298,502</td>
<td>$7,997,753</td>
<td>$10,697,004</td>
<td>$13,396,255</td>
</tr>
</tbody>
</table>

1. Develop workload measures
   - N
   - $100,000 ($100,000) $0 $0 $0 $0

2. Fleet approach to vehicles
   - N
   - $225,000
   - $225,000
   - $225,000
   - $225,000
   - $225,000

3. Inspectors, case coordinators roles
   - N
   - $816,846
   - $816,846
   - $816,846
   - $816,846
   - $816,846

4. Transfer investigatory staff
   - N
   - $1,608,292
   - $1,608,292
   - $1,608,292
   - $1,608,292
   - $1,608,292

5. Abolish coordination of clerks position
   - N
   - $49,113
   - $49,113
   - $49,113
   - $49,113
   - $49,113

6. Provide chief state's attorney with authority for evaluating and disciplining state's attorney
   - Y

7. Decentralize authority for financial management to each state's attorney
   - Y

---

IV-115
DIVISION OF PUBLIC DEFENDER SERVICES

MISSION

Provide legal services to indigent persons accused of crimes, as mandated by both the United States and Connecticut Constitution, in order to assure the necessary legal, investigatory, and social support needed for effective representation. Representation is provided in misdemeanors, felonies, appeals, and other post-conviction matters. Representation is also provided in the Family Division of the Superior Court for children charged with delinquent acts.

FISCAL YEAR 1990-91 BUDGET

Total budget appropriation is $31.2 million in General Fund dollars.

MAJOR ISSUES

Public defender caseloads have increased dramatically, particularly in the geographical area courts. In the judicial districts, the average caseload increased from 104 per attorney in Fiscal Year 1984-85 to 154 in Fiscal Year 1989-90. In the geographical areas, the average caseload per attorney rose from 1,050 to 1,243 during the same period. In Fiscal Year 1989-90 caseloads per attorney were as high as 1,700 in some geographical area offices. Between Fiscal Year 1984-85 and Fiscal Year 1988-89, public defender caseloads increased 87 percent in the judicial district (JD) and 80 percent in the geographical areas (GA).

The impact of drug cases on division caseloads is significant. The surge in drug arrests has caused an increase in special public defender appointments. Increasing percentages of criminal cases also require public defender services.

Office locations and jurisdictions corresponding to the organization of courts throughout the state are resulting in higher administrative costs, loss of economies of scale, and duplication of effort. JD and GA defenders have separate staffs and offices.

MAJOR RECOMMENDATIONS

- Charge a $45 fee to all public defender clients at the beginning of a case.
- Impose court costs and filing fees on all criminal and motor vehicle cases in Geographical Area courts.
- Seek more federal funds and hire additional staff to handle drug cases.
- Expand the use of special public defender contracts.
o Consolidate offices consistent with the Judicial Department’s restructuring plan, combining JD and GA offices where possible.

o Reduce supervisory positions, and reduce supervisor case loads. Reduce clerical staff and purchase additional office equipment to achieve enhanced efficiencies.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $6.3 million; total savings through Fiscal Year 1994-95 are $38.2 million.

**IMPLEMENTATION STRATEGIES**

Implementation of some recommendations, such as collection of cost recovery from clients and tightening eligibility determination, will require additional staff resources as the recommendations are implemented, but cost savings will outweigh any additional recurring costs. Some recommendations will be achieved through enhanced automation; others will require legislative action.
### PROPOSED NET SAVINGS/REVENUE INCREASES

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>($1,004,449)</td>
<td>$6,274,228</td>
<td>$10,428,688</td>
<td>$10,979,676</td>
<td>$11,504,819</td>
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<tr>
<td>Cumulative Savings</td>
<td>($1,004,449)</td>
<td>$5,269,779</td>
<td>$15,698,467</td>
<td>$26,678,143</td>
<td>$38,182,962</td>
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</tbody>
</table>

1. Collect Cost Recovery from Clients
   - **Y**
   - ($905,000) $3,219,700 $3,219,700 $3,219,700 $3,219,700

2. Impose court costs/filing fees in GA courts
   - **Y**
   - $0 $1,048,328 $2,096,655 $2,096,655 $2,096,655

3. Expand use of special public defender contracts
   - **N**
   - ($268,000) $320,000 $320,000 $320,000 $320,000

4. Increase Federal funding in FY 1991-92 for drug cases assuming continuation in subsequent years
   - **N**
   - $0 $1,000,000 $1,000,000 $1,000,000 $1,000,000

5. Consolidate public defender offices and reduce administrative staff (less costs)
   - **N**
   - ($179,196) ($50,430) ($61,046) ($61,046) ($6,370)

6. Cut caseloads and reduce need for additional attorney staff (less costs)
   - **Y**
   - $411,130 $1,464,672 $3,738,768 $4,149,904 $4,561,040

   - ($110,000) ($855,180) ($110,000) ($110,000) ($110,000)
DIVISION OF SPECIAL REVENUE

MISSION

Maintain public confidence at the highest possible level in the integrity and security of all aspects of the various legal gaming activities administered or regulated by the division and maximize revenues in support of state programs.

FISCAL YEAR 1990-91 BUDGET

Total budget of $202.2 million, which includes a General Fund appropriation of $44.7 million.

MAJOR ISSUES

The Division of Special Revenue is organized within another agency for administrative purposes only, but its budget and staff are larger than many independent departments.

The division maintains some of the highest per capita sales of state lotteries for its instant ticket and on-line games. Handles from the greyhound track and jai-alai frontons have decreased in recent years, and the net contributions to the state from Off-Track Betting (OTB) are also declining. The division is exploring opportunities to increase gaming revenues and decrease costs.

MAJOR RECOMMENDATIONS

- Give the Division of Special Revenue (DSR) department status reporting directly to the governor.

- Legislative initiatives:
  - Permit the division to join multi-state lotteries.
  - Permit DSR to provide incentives to field representatives and others based on quantifiable performance.
  - Increase licensing fees.
  - Eliminate undue constraints on DSR management of its operations.
  - Permit the state to assume the assignment of leases for OTB facilities.
  - Permit DSR to implement a service charge for teller assisted cashing of OTB winning tickets.
o Continue with plans to migrate to Statenet.
o Consolidate operations at a single facility.
o Continue to investigate new games.
o Investigate new channels for distribution of the division's lottery products.
o Review the potential for privatization of OTB operations.
o Reclassify and reduce specific Gambling Regulation Unit positions.
o Reclassify specific security positions.
o Consider reducing the number of instant ticket settlement audits from 100 percent to approximately 50 percent plus.
o Consider transferring the responsibilities of the Licensing and Integrity Assurance Unit's central accounts receivable and accounts payable to the Administrative Services Unit.
o Pursue implementation of an on-line instant ticket validation system.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $12.1 million; total savings through Fiscal Year 1994-95 are $119.5 million.

IMPLEMENTATION STRATEGIES

A number of issues will require legislative approval such as permission to join multi-state lotteries and increasing licensing fees which have not been increased in 10 years. Other possible alternatives for new gaming activities should be explored.

The potential for privatization of Off-Track Betting operations is another issue that requires the approval of the legislature. There are a number of implementation alternatives including both full and phased-in privatization. OTB could be privatized in phases over a number of years to ensure the continuing security and integrity of its operations.
### Division of Special Revenue

CONSULTANT: KPMG Peat Marwick

#### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
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<td>$21,979,700</td>
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<tr>
<td>Cumulative Savings</td>
<td>$0</td>
<td>$12,079,700</td>
<td>$34,059,400</td>
<td>$76,489,100</td>
<td>$119,518,800</td>
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</tbody>
</table>

1. Consolidate to a single location
   - N
   - $0
   - $346,700
   - $346,700
   - $346,700
   - $346,700

2. Privatize OTB
   - Y
   - $0
   - $10,275,000
   - $20,550,000
   - $41,000,000
   - $41,000,000

3. Increase licensing fees
   - Y
   - $0
   - $45,000
   - $45,000
   - $45,000
   - $45,000

4. Postpone construction of new computer data center*
   - N
   - $0
   - $375,000
   - $0
   - $0
   - $0

5. Building maintenance contract
   - N
   - $0
   - ($26,000)
   - ($26,000)
   - ($26,000)
   - ($26,000)

6. Implement Statenet
   - N
   - $0
   - $405,000
   - $405,000
   - $405,000
   - $1,005,000

7. Reclassify GRU Positions
   - N
   - $0
   - $87,000
   - $87,000
   - $87,000
   - $87,000

8. Reclassify Security Positions
   - N
   - $0
   - $160,000
   - $160,000
   - $160,000
   - $160,000

9. Reduce instant ticket settlement audits
   - N
   - $0
   - $277,000
   - $277,000
   - $277,000
   - $277,000

10. Reorganize A/R and A/P
    - N
    - $0
    - $135,000
    - $135,000
    - $135,000
    - $135,000

11. Give division department status
    - Y

* $375,000 in bond funds allocated for the center cannot be diverted to another project without legislative approval.
MISSION

The public system of higher education in Connecticut consists of 22 institutions, including the Department of Higher Education, the University of Connecticut and its five regional campuses, the Central Naugatuck Valley Region Higher Education Center, the state’s five technical colleges, the state Community/Technical College Central Office, 12 community colleges, and the Connecticut State University and its four regional campuses. The public higher education system operates under the oversight of the Board of Governors for Higher Education (BGHE).

FISCAL YEAR 1990-91 BUDGET

Total budget of $921.6 million, including $401.4 million in General Fund appropriations, $23.3 million in federal funds, and $7.3 million in private contributions.

MAJOR ISSUES

The current state higher education system structure, the multitude of institutions, and the role of independent institutions create numerous administrative layers and lead to duplication.

Administrative operations are similarly complex and time consuming, and administrative decision making is cumbersome. The proportion of education dollars spent on administrative costs is among the highest in the nation. The current budgeting process, facilities budgeting and administration, and institutional fund management are considered ineffective. Lack of automation and ineffective computer system planning and budgeting also increases costs.

A major revenue-related issue is that tuition revenues account for a smaller proportion of total unrestricted revenues in Connecticut than in most other states. In addition, the state’s financial aid structure and current tuition levels may lead to lost or unused federal funds.

Program operations are hampered by a lack of procedures to encourage students to apply for and receive credit for previously acquired skills and knowledge, and effective student transfer agreements between institutions do not exist. Costs are also increased by program duplication, increased graduation and admission requirements, and the need for remedial education among a significant proportion of entering students.
MAJOR RECOMMENDATIONS

The consultant’s recommendations were divided into three areas.

- **Recommendations regarding governance structure** focused on continuing the current structure consisting of a Board of Governors, a Board of Trustees for Community/Technical Colleges, a Board of Trustees for UCONN, and a Board of Trustees for the Connecticut State University institutions, thus allowing each board of trustees to develop a detailed understanding of the programs and institutions under its governance.

- **Recommendations regarding administrative decentralization** centered on consolidation of institutions by merging 12 community colleges and five technical colleges into six comprehensive community colleges. Administrative decentralization should also include better fund management and budgeting following AICPA guidelines, improved facility planning, privatization of ancillary support, and decentralization of administrative processes to increase the flexibility and efficiency of the institutions.

- **Recommendations that could be separately implemented** include the following:
  
  . Establish an ongoing program of economic growth with business, government, and interest group leaders, and utilize independent institutions as part of the overall plan to deliver higher education.

  . Require BGHE to annually report to the governor and legislature on its goals and accomplishments.

  . Establish a single state higher education automation center to serve the administrative computing needs of all institutions of higher education.

  . Use tuition and fee revenues to fund 30 percent of the cost of instruction, establish a formal productivity improvement program, and increase private fund raising activities.

  . Establish administrative processes for facilities construction, repair, and renovation as well as asset management programs to better administer facilities and equipment.

  . Establish academic transfer agreements and promote formal programs of credit for prior learning.

  . Establish and implement a remedial education program, with the six community colleges undertaking primary responsibility.

  . Examine and meet the educational needs of Southwest Connecticut through development of a long-range plan.

  . Merge Mattatuck Community College, Waterbury State Technical College, and the Central Naugatuck Center into a comprehensive community college.
FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $70.5 million; total savings through Fiscal Year 1994-95 are $390.9 million.

IMPLEMENTATION STRATEGIES

The implementation plan can be divided into recommendations that can be separately implemented, those that are part of an administrative decentralization package, and those that are part of a governance structure package. The recommendations must be implemented as packaged in order to achieve maximum cost savings and efficiencies.
<table>
<thead>
<tr>
<th>Legislative Action Req.</th>
<th>Net Savings From All Recommendations</th>
<th>Cumulative Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,970,000</td>
<td>$70,540,000</td>
</tr>
<tr>
<td></td>
<td>$2,970,000</td>
<td>$73,510,000</td>
</tr>
<tr>
<td>1. Independent Sector</td>
<td>N</td>
<td>$0</td>
</tr>
<tr>
<td>2. Automation of Administrative processes</td>
<td>N</td>
<td>$0</td>
</tr>
<tr>
<td>3. Institutional Fund Management</td>
<td>N</td>
<td>$0</td>
</tr>
<tr>
<td>4. Tuition Revenue **</td>
<td>N</td>
<td>$0</td>
</tr>
<tr>
<td>5. Administrative cost savings</td>
<td>N</td>
<td>$500,000</td>
</tr>
<tr>
<td>6. Overhead cost</td>
<td>N</td>
<td>$0</td>
</tr>
<tr>
<td>7. Tuition Level – Loss of Federal Financial Aid</td>
<td>N</td>
<td>$250,000</td>
</tr>
<tr>
<td>8. Governance/Structure</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>9. Institutional Consolidation</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>10. Naugatuck Center</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>11. Budgeting Process</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>12. Tuition Revenue ***</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>13. Facility Planning and Budgeting</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>14. Decentralization</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>15. Facilities Construction, Renovation, and Repair</td>
<td>Y</td>
<td>$0</td>
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<tr>
<td>16. Labor Relations</td>
<td>Y</td>
<td>$0</td>
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<td>17. Summer Enrollment</td>
<td>Y</td>
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<tr>
<td>18. Private Fund Raising</td>
<td>Y</td>
<td>$1,000,000</td>
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<tr>
<td>19. Asset Management</td>
<td>Y</td>
<td>$310,000</td>
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<tr>
<td>20. Privatization of Service</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>21. Transfer Credits</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>22. Credit for Prior Learning</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>23. Remedial Education</td>
<td>Y</td>
<td>$0</td>
</tr>
<tr>
<td>24. Use of Bond Funds</td>
<td>Y</td>
<td>$910,000</td>
</tr>
</tbody>
</table>

* Savings included in budgeting process savings.
** Excluding change in residency statutes.
*** Change of residency statutes.

Note: Worksheets showing detailed calculations for the above data may be found in Appendix B of the detailed report.
JUDICIAL DEPARTMENT

MISSION

Established under the Connecticut Constitution, the Judicial Department is responsible for assuring that all citizens have fair and equal access to justice and to the resolution of conflicts. Fair and equal access is accomplished through a unified court structure consisting of a trial court and an appellate court, each having departments, divisions, and support as needed.

FISCAL YEAR 1990-91 BUDGET

Total budget of $129.8 million, includes a General Fund appropriation of $129.7 million and $59,900 in federal contributions.

MAJOR ISSUES

The Judicial Department inherited a local, county-based system that has not been a cost-effective method for addressing the needs of its constituency. Although the current centralized format has focused on and attempted to solve problems associated with the previous court organization, the department must continue to devote considerable effort and resources to overcome historic inefficiencies that have lingered within the system.

Many recommendations contained in this report are contingent upon significant revisions to important statutes. This is particularly true in the areas of jurisdiction, classification of offenses, and jury selection. In addition to the need to redraft statutes, there is a need to revise rules of court with respect to personnel matters and organization of resources.

Finally, the department has initiated a significant number of programs and improvements that, if more adequately funded in the future and implemented statewide, would improve the delivery of cost-effective services.

MAJOR RECOMMENDATIONS

- Amend statutes to create or consolidate courts to more accurately reflect populations and caseloads.
- Cancel some leases; turn some facilities over to surplus; cancel some planned construction; proceed with some planned construction.
- Expand use of existing facilities through application of flexible work hours and avoid planned facilities expansion through same means.
o Implement one day/one trial jury system on a statewide basis.

o Amend statutes to increase civil jury claim fees and to require employers to pay for fourth and fifth days of juror service.

o Transfer the cost of the operation of the attorney grievance activity to members of the state bar.

o Alter activities of the Commission on Legal Publications to become a profit center and recover costs of operations.

o Expand early screening programs statewide to all locations and all criminal cases.

o Amend statutes to increase the Small Claims Jurisdictional Unit and provide for a modified appeal process to increase use of small claims.

o Reclassify C.G.S. Section 14-147 offenses as violations and transfer certain violations from GA courts to the Centralized Infractions Bureau (CIB).

o Extend the imposition of a $20 surcharge pursuant to C.G.S. Section 54-143 to those motor vehicle violations transferred to CIB.

o Implement alternative payment procedures to increase fine and fee collections.

FISCAL IMPLICATIONS

Fiscal Year 1991-92 net savings are $6.9 million; total savings through Fiscal Year 1994-95 are $34.3 million.

IMPLEMENTATION STRATEGIES

Implement court facility consolidation and flexible work hour plan as existing facility leases expire. As leases expire between now and 1995, new facilities must be constructed in order to achieve consolidation.

Legislative action will be required for several of the recommendations to be implemented. Assuming all such legislation is written, submitted, and approved during the next legislative term, implementation would commence during fiscal year 1991-92, but a full year of savings would not be realized.

Other recommendations should be prioritized by the Judiciary based on the results of this Commission study. Further implementation can be carried out administratively by the Judicial Department. Implementation of program changes should commence immediately.
## Projected Net Savings/Revenue Increases

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
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<td>$6,955,213</td>
<td>$9,047,889</td>
<td>$9,103,148</td>
<td>$9,253,054</td>
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<td>Cumulative Savings</td>
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<td>$16,003,102</td>
<td>$25,106,250</td>
<td>$34,359,304</td>
</tr>
</tbody>
</table>

1. **Cancellation of planned lease/purchase construction**
   - N
   - Y
   - N
   - Y
   - Y
   - Y
   - Y
   - Y
   - Y
   - Y
   - Y
   - Y

### Recommendations

- **Cumulative Savings**
  - **1. Cancellation of planned lease/purchase construction**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **2. Avoid planned lease/purchase construction in East Haven**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **3. Expand use of existing facilities through application of flexible work hours**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **4. Avoid planned expansion of existing leases through application of flexible work hours**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **5. Implement one day/one trial jury system statewide**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **6. Extend employer responsibility for underwriting juror salaries from three to five days**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **7. Increase the juror claim fee to $350**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **8. Pass-on costs of attorney grievance process to members of the state bar**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **9. Make COLP a profit center and recover of operations**
    - N
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **10. Reclassify Section 14-147 violations to CIB infractions and transfer certain MV and criminal violations from GA courts to CIB**
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
  - **11. Extend imposition of $20 surcharge pursuant to Section 54-143a to those MV violations transferred to CIB**
    - Y
    - Y
    - N
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y
    - Y

### IV-131
OFFICE OF POLICY AND MANAGEMENT

MISSION

Provide the staff functions of budget, management, planning, and intergovernmental relations through a single agency; encourage the integration of planning, budgeting, and program analysis; and provide necessary staff support to the governor on policy analysis, development, and implementation.

FISCAL YEAR 1990-91 BUDGET

Total budget of $103.9 million, with a General Fund appropriation of $85.7 million and federal contributions of $16.8 million.

MAJOR ISSUES

The need exists for an increased emphasis on statewide program and operations accountability to balance the state’s existing fiscal accountability system and facilitate the state’s attainment of service delivery objectives.

MAJOR RECOMMENDATIONS

1. Reinforce and focus OPM’s mission and role in state government as the governor’s staff agency for policy, planning, and fiscal affairs.

2. Establish a program/operations accountability function closely aligned to the governor, headed by an operations executive. This function will assist the governor in focusing on enhancing the state’s overall effectiveness and efficiency of operations and programmatic service delivery.

3. Establish and implement a performance measurement process within the recommended chief executive officer function to facilitate enhanced statewide program/operations accountability and integrate with the state’s fiscal (budget) accountability system.

4. Restructure OPM to make it organizationally consistent with its mission and role into three major divisions:
   - Budget and Financial Management Division
   - Policy Development and Planning Division
   - Office of Information Technology
Refine and streamline OPM by transferring selected functions to other agencies with which they are more appropriately aligned.

Adopt a biennial budgeting process to reduce overall executive and legislative requirements and encourage a longer planning horizon.

Continue with implementation of the Automated Budget System with the objective of attaining full operation in as timely a manner as possible.

Streamline OPM position control responsibilities to provide for more timely processing of agency personnel transactions.

Enhance revenue forecasting by segmenting analyses of major revenue sources.

Establish a stronger OPM role in the state's labor negotiation process.

Establish a legislative ceiling on the amount of capital budget authorizations approved by the General Assembly.

Expand the capital budget to a five-year comprehensive capital planning process.

Reinforce and communicate throughout the state, the Office of Information Technology's role and responsibilities as the state's technology agency for systems policy, planning, standard setting, and oversight.

Confirm the Office of Information Technology's role and authority as encompassing systems under the purview of all elected officials and both general and non-general fund systems.

Adopt the Single Audit process to enhance program and fiscal accountability and control with respect to state financial assistance programs.

**FISCAL IMPLICATIONS**

Fiscal Year 1990-91 net savings are $249,000; total savings through Fiscal Year 1994-95 are $996,000.

**IMPLEMENTATION STRATEGIES**

Establishment of effective program/operations accountability will require direct involvement and commitment of the governor's office, OPM, and state agencies. It will involve a long-term process. However, long-term benefits are expected to include both significantly enhanced service delivery and significant statewide cost savings from increased programmatic reviews and operational efficiencies.
### Office of Policy and Management

CONSULTANT: KPMG Peat Marwick

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
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<td>$249,000</td>
<td>$249,000</td>
<td>$249,000</td>
<td>$249,000</td>
</tr>
<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$0</td>
<td>$249,000</td>
<td>$498,000</td>
<td>$747,000</td>
<td>$996,000</td>
</tr>
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<td>1. Eliminate Energy Division Undersecretary position</td>
<td>N</td>
<td>$0</td>
<td>$66,000</td>
<td>$66,000</td>
<td>$66,000</td>
</tr>
<tr>
<td>2. Eliminate Management and Justice Planning Division Undersecretary position</td>
<td>N</td>
<td>$0</td>
<td>$66,000</td>
<td>$66,000</td>
<td>$66,000</td>
</tr>
<tr>
<td>3. Eliminate Intergovernmental Relations Division Undersecretary position</td>
<td>N</td>
<td>$0</td>
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<td>$57,500</td>
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<tr>
<td>4. Eliminate one Intergovernmental Relations Division Mgr. position</td>
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<td>$0</td>
<td>$59,500</td>
<td>$59,500</td>
<td>$59,500</td>
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<tr>
<td>5. Realign certain line functions from OPM’s Intergovernmental Relations Division</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Realign certain Energy Division line functions</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Realign Governor’s Concil on Voluntary Action</td>
<td>Y</td>
<td></td>
<td></td>
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<tr>
<td>8. Realign the Commission of Victim Services</td>
<td>Y</td>
<td></td>
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<tr>
<td>9. Establish a program/operation accountability function</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>10. Adopt a biennial budget process</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Reduce OPM’s position control activities</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Expand the capital budget to a five-year plan</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Establish legislative ceiling on the amount of capital budget authorizations approved by the General Assembly</td>
<td>Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfer selected energy line functions to other state agencies</td>
<td>Y</td>
<td></td>
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<td>---------------------------------------------------------------</td>
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</tr>
<tr>
<td>15.</td>
<td>Transfer Municipal Assessment and Taxation Unit functions and Equalization and Elderly Tax Relief functions to DRS</td>
<td>Y</td>
<td></td>
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</tr>
<tr>
<td>16.</td>
<td>Eliminate the Technical Services Unit</td>
<td>Y</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>17.</td>
<td>Adopt the Single Agency Audit process</td>
<td>Y</td>
<td></td>
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<td>18.</td>
<td>Clearly define and communicate OIT’s role and responsibilities</td>
<td>Y</td>
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<tr>
<td>19.</td>
<td>Support the State’s systems and telecommunications initiatives</td>
<td>Y</td>
<td></td>
<td></td>
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<tr>
<td>20.</td>
<td>Establish and implement a system of performance measurement within the recommended Governor’s Operations Executive function</td>
<td>Y</td>
<td></td>
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</table>
STATE LIBRARY

MISSION

Function as the principal library for the state's judicial, legislative, and executive branches; manage, preserve, and interpret the state's historical record; provide consulting and supplement resources and services for libraries throughout Connecticut; plan for the development and implementation of statewide systems for information and resource sharing among all libraries; administer state and federal grants-in-aid and other funding as designated; and provide direct reference, research support and information services to the general public.

FISCAL YEAR 1990-91 BUDGET

Total budget of $10.5 million, with a General Fund appropriation of $8.8 million and federal contributions of $1.6 million.

MAJOR ISSUES

The Connecticut State Library began as a law library in 1854. It has attained prominence in its law collection and provides a high level of service to state government, local public libraries, and more than 500,000 individuals annually from five physical sites throughout the state.

The State Library has prepared a Five-Year Strategic Plan that calls for major growth in all program and service areas and which will require a four-fold increase in its budget. However, the strategic plan is based on growth and diversification and does not consider the current declining economic environment in the Northeast. Areas for consideration include maintaining areas of excellence; eliminating, downsizing, or implementing cost-effective methods of service delivery for areas that require significant investment; and funding new initiatives with monies obtained through down-sizing.

MAJOR RECOMMENDATIONS

o Reduce layers of management by not filling the positions of deputy state librarian and director of public information and by eliminating the position of associate state librarian.

o Add one new position - director of administrative services

o Eliminate library service centers in Willimantic and Middletown, and deaccession current collections (valued at $4.9 million) to public libraries throughout the state.

IV-137
Develop contractual agreements with the six regional non-profit Cooperating Library Service Units to deliver state services by stipulating that state funding be used to support statewide initiatives.

- Retain a few consultants in Library Services to provide expertise and assistance to public libraries.

- Eliminate the Interlibrary Loan program. Move the collections of the Library for the Blind and Physically Handicapped into the space vacated by Interlibrary Loan.

- Take action to preserve and manage the state’s documents.
  - Continue to aggressively pursue grants and outside funding to preserve the state’s collection.
  - Secure funding to purchase a paper shredder or other appropriate equipment to assist in the destruction of obsolete documents.
  - Review the strategic plan to determine economically feasible short-term solutions to staffing and space problems.
  - Add three staff in Archives and Public Records.
  - Reallocate space vacated by the Middletown Service Center to the Public Records, Archives and History and Genealogy programs.

- Maintain Baldwin Museum at status quo. Consider various less costly alternatives for proper management of state collections.

- Revenue Enhancements
  - Develop a fee schedule and begin to charge patrons for certain services currently provided free of charge or at a minimal rate.
  - Develop a cost ceiling for services provided free of charge to state agency employees, and charge for information services provided that exceed the fee limit.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $842,000; total savings through Fiscal Year 1994-95 are $3.7 million.
IMPLEMENTATION STRATEGIES

In order for recommendations to be implemented, the participation of the Office of Policy and Management and the state Personnel Division is needed. Staffing changes will also involve union representatives. New methods to provide consulting and support to public libraries will require a legislative change.
## Net Savings From All Recommendations

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<tbody>
<tr>
<td>Net Savings From All Recommendations</td>
<td>$0</td>
<td>$842,000</td>
<td>$942,000</td>
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## Cumulative Savings

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<tr>
<td>Cumulative Savings</td>
<td>$0</td>
<td>$842,000</td>
<td>$1,784,000</td>
<td>$2,726,000</td>
<td>$3,668,000</td>
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### Recommendations

1. **Streamline management**
   - Eliminate Association State Librarian
   - Add Director of Administrative Services
   - **Y**
     - $0
     - $50,000
     - $50,000
     - $50,000
     - $50,000
   - **($50,000)**

2. **Eliminate Willimantic and Middletown service centers**
   - **N**
   - $0
   - $497,000
   - $497,000
   - $497,000
   - $497,000

3. **Eliminate audio-visual and inter-library loan programs**
   - **N**
   - $0
   - $546,000
   - $546,000
   - $546,000
   - $546,000

4. **Redirect federal funding from A-V and I-L programs to the State Library Automation program**
   - **N**
   - $0
   - ($391,000)
   - ($391,000)
   - ($391,000)
   - ($391,000)

5. **Support programs at risk by adding staff**
   - **N**
   - $0
   - ($180,000)
   - ($180,000)
   - ($180,000)
   - ($180,000)

6. **Reduce funding for Connecticar**
   - **N**
   - $0
   - $100,000
   - $100,000
   - $100,000
   - $100,000

7. **Add one staff in automation**
   - **N**
   - $0
   - ($35,000)
   - ($35,000)
   - ($35,000)
   - ($35,000)

8. **Revise strategic plan**
   - **N**
   - $0
   - $170,000
   - $170,000
   - $170,000
   - $170,000

9. **Staff efficiency recommendations**
   - **N**
   - $0
   - $100,000
   - $100,000
   - $100,000
   - $100,000

10. **Initiate fees for service**
   - **N**
   - $0
   - $135,000
   - $135,000
   - $135,000
   - $135,000

11. **Service staff reductions**
   - **N**
   - $0
   - ($100,000)
   - $0
   - $0
   - $0

12. **Upgrade phone system**
   - **N**
   - $0
   - $0
   - $0
   - $0
   - $0
UNIVERSITY OF CONNECTICUT HEALTH CENTER

MISSION

As an academic health center, provide for the education of health care professionals, conduct exemplary patient care, and foster a setting for inquiry and research into health care knowledge.

FISCAL YEAR 1990-91 BUDGET

Total budget of $263.2 million; General Fund contributions total $57.2 million; the balance is primarily hospital revenues.

MAJOR ISSUES

The UCONN Health Center, an academic sub-unit of the University of Connecticut, provides undergraduate, graduate, and continuing education programs. Its facilities include the John Dempsey Hospital, the School of Medicine, the School of Dental Medicine, and the Uncas-on-Thames Hospital. Major revenue sources include state General Fund contributions, fees for patient services, research funding and grant awards, tuition, and other fee collections.

The balance of educational and public benefit against cost of operations are important elements of an examination of teaching hospitals. In supporting a teaching faculty and a student learning environment, Dempsey Hospital absorbs costs not typically borne by community health care institutions. Yet the activities that contribute to these costs are at the core of its mission.

Of other particular interest in this study is the evolving mission of the Uncas Hospital. Once intended for the long-term care of tuberculosis patients, its service mix has considerably diversified as that specific health care need has declined. The role of the health center in providing the hospital’s current services, including long-term care for the chronically ill, geriatric oncology and dental services, and a hospice program is a major focus of this examination.

MAJOR RECOMMENDATIONS

- Streamline administration and improve operations by eliminating redundant offices and positions.
- Adopt higher tuition levels at both the School of Medicine and the School of Dental Medicine.
- Charge at appropriate levels for services delivered at Dempsey Hospital.
Consider the divestiture of the Uncas Hospital, transferring its services to the private sector and selling its property, its chronic disease hospital license, its radiation therapy practice, and leases on the property.

**FISCAL IMPLICATIONS**

Fiscal Year 1991-92 net savings are $33.4 million; total savings and revenue enhancements through Fiscal Year 1994-95 are $76.3 million.

**IMPLEMENTATION STRATEGIES**

Recommendations in this report were partially adopted by the Commission. The Commission deferred action on recommendations regarding the divestiture of the Uncas Hospital. The Commission gave the Health Center until February 1991 to show signs of progress toward reducing costs.

Recommendations regarding hospital management and governance cannot be achieved without legislative action; state statute defines the form of governance and sets budget development, capital facility management, and leasing policies. Similarly, tuition levels are set within limits established for all public institutions of higher education.

Additionally, it should be noted that the majority of enhanced revenues or cost savings associated with the John Dempsey Hospital would accrue directly to the hospital. The hospital operates primarily within its own patient-generated revenues; General Fund contributions currently subsidize the excess cost of state fringe benefits, free care for patients unable to pay, and educational programs.
## University of Connecticut Health Center

CONSULTANT: KPMG Peat Marwick

### PROJECTED NET SAVINGS/REVENUE INCREASES

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Net Savings From All Recommendations</strong></td>
<td>$5,082,000</td>
<td>$33,400,000</td>
<td>$12,600,000</td>
<td>$12,600,000</td>
<td>$12,600,000</td>
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<tr>
<td><strong>Cumulative Savings</strong></td>
<td>$5,082,000</td>
<td>$38,482,000</td>
<td>$51,082,000</td>
<td>$63,682,000</td>
<td>$76,282,000</td>
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</tbody>
</table>

1. Sell Uncas Hospital (see note) **Y** $0 $6,900,000 * $0 $0 $0
2. Eliminate Uncas operating costs **Y** $0 $7,300,000 ** $7,300,000 $7,300,000 $7,300,000
3. Avoid capital expenditure **Y** $0 $13,900,000 $0 $0 $0

2. Improve operations by changing state financial process **Y** $0 $218,000 $218,000 $218,000 $218,000
3. Establish separate Board of Trustees **N** No fiscal impact $0 $0 $0 $0
4. Charges for Dempsey Hospital **N** $2,400,000 $2,400,000 $2,400,000 $2,400,000 $2,400,000
5. Increase tuition levels **Y** $600,000 $600,000 $600,000 $600,000 $600,000
6. Streamline middle management **N** $900,000 $900,000 $900,000 $900,000 $900,000
7. Improve operations by reducing Dempsey's staff **N** $1,182,000 $1,182,000 $1,182,000 $1,182,000 $1,182,000

* Mid point of range.
** Gross savings. General Fund subsidy for FY 1991 is $2.3 million.

NOTE: The Commission did not adopt this recommendation from the consultant. Instead, The UConn Health Center was given until February 1991 to make changes and show signs of progress toward correcting the prohibitive and uneconomic cost situation at Uncas Hospital.
SECTION V: EXCEPTIONS

This section summarizes exceptions to the Commission's study process. The three components of Section V are as follows.

- A listing of exceptions, abstentions, and dissents registered by Commission members. The voting exceptions and abstentions are presented as recorded in the minutes of Commission meetings.

- A table presenting the agencies and programs not studied by this Commission (Exhibit V-1). Comparison of the personnel and funding levels for the agencies not examined with those studied by the Commission shows that 90 percent of the state's program and personnel spending were reviewed.

- Two minority reports were submitted by Commission members. A statement from Representative Linda Emmons outlines her recommendations for further analysis. The report of Mr. John Olsen, the Commission's labor representative, was independently prepared to detail areas of dissent in regard to agency summaries and the final report.
VOTING EXCEPTIONS

Commission members voted their approval of the content, findings, and recommendations of each agency study. The following exceptions were noted from review of Commission minutes.

Department of Motor Vehicles Study: accepted 3/15/90

Rep. Emmons: abstention due to a number of unanswered questions.

Mr. Olsen: voted with the understanding that he would submit a letter with objections to the study, which would be circulated to members.

UCONN Health Center: accepted 5/23/90

The study was accepted by the Commission with the following exceptions: accept the cost saving suggestions in the report, excluding the recommendation concerning Uncas Hospital, as well as the suggestion regarding tuition increases; be receptive to further information from the University on physician salary caps; defer issue regarding a separate board of trustees to the Legislature; and give the Health Center nine months to make changes and show signs of progress toward correcting the prohibitive and uneconomic cost situation at Uncas Hospital.


Department of Administrative Services: accepted 6/26/90

Mr. Olsen: voted no.

Department of Transportation: accepted 7/17/90

Sen. Freedman: vote excluded the recommendation concerning the State Properties Review Board.

Departments of Mental Health and Mental Retardation: accepted 7/26/90

Mr. Burgess: abstained on the issue of moving clients from state hospitals to community facilities until he receives further information on community services.

Mr. Olsen: voted no.
Department of Housing: accepted 9/12/90

Rep. Cibes: exception noted opposing any increase in rents as a result of the implementation of the study.

Office of Policy and Management: accepted 10/24/90

[Study accepted with request by Commission for a memo describing the calculations performed to obtain the capital budgeting figures used in the final report, and comparative information on debt service levels.]

Rep. Cibes: exception: questioned whether the transfer of the Intergovernmental Relations Division to the Department of Revenue Services was appropriate, and indicated he prefers a rolling biennial budget with a longer time frame.

Sen. McLaughlin: opposed to biennial budget recommendation.

Department of Education: accepted 11/15/90


Sen. Freedman: voted against hold harmless recommendations.

Mr. Schneller: registered a dissent on the closing of the Essex vocational-technical satellite school.

Department of Economic Development: accepted 12/6/90

Mr. Burgess: registered a dissent on the consolidation of tourism districts in the state.

Higher Education: accepted 12/6/90

[Consultant asked to provide a letter of addendum to their report modifying the work paper on governance structure to reflect their final recommendations.]

Mr. Olsen abstained.
Department of Correction, Public Safety, and Public Works: accepted 1/17/91

Mr. Olsen: voted no.

Rep. Emmons, Sen. Freedman, and Rep. Arthur: voted yes with the exception of the recommendations on resident state troopers (Department of Public Safety study) and the state Properties Review Board and (Department of Public Works study).

Mr. Burgess: exception on the per diem cost of halfway houses (Department of Correction study).

Judicial Department, Division of Criminal Justice, Division of Public Defender Services, and County Sheriffs: accepted 1/17/91

The study was accepted by the Commission with the following exception: defer for legislative study the recommendations to reclassify and transfer inspectors in the Division of Criminal Justice.

Sen. Freedman: exception to the County Sheriffs study.

Mr. Burgess: exception to closing Norwalk Courthouse (Judicial Department study).

Departments of Consumer Protection, Health Services, and Veterans’ Affairs, the Department on Aging, and the Connecticut Alcohol and Drug Abuse Commission: accepted 1/17/91.

Mr. Olsen: voted no.


Mr. Burgess: exception to mandatory generic drug recommendation (Department on Aging).

Mr. Burgess and Mr. Schneller: exception to the elimination of the deputy commissioner position (Department on Aging and Department of Consumer Protection).

Exhibit V-1
AGENCIES AND PROGRAMS
NOT SUBJECT TO COMMISSION REVIEW

<table>
<thead>
<tr>
<th>AGENCY/PROGRAM NAME</th>
<th>AUTHORIZED POSITIONS(^*)</th>
<th>STATE FY91 GEN. FUND(^*) (in millions)</th>
<th>STATE FY91 TOTAL FUNDS(^*) (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studies Deferred</td>
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<td></td>
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<tr>
<td>Department of Children &amp; Youth Services</td>
<td>1,718</td>
<td>$158.2</td>
<td>$168.6</td>
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<td><strong>Offices of Elected Officials</strong></td>
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<td>Governor's Office</td>
<td>44</td>
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<tr>
<td>Lt. Governor's Office</td>
<td>4</td>
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<td>0.2</td>
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<tr>
<td>Secretary of State</td>
<td>96</td>
<td>4.3</td>
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<tr>
<td>Attorney General</td>
<td>283</td>
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<td>14.8</td>
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<tr>
<td>State Treasurer</td>
<td>71</td>
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<tr>
<td>State Comptroller</td>
<td>333</td>
<td>18.9</td>
<td>19.5</td>
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<td><strong>Connecticut General Assembly</strong></td>
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<td>Legislative Management</td>
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<td>Auditors of Public Accounts</td>
<td>88</td>
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<td><strong>Agencies Funded by Regulated Groups</strong></td>
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<tr>
<td>Banking Department</td>
<td>159</td>
<td>banking fund</td>
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<tr>
<td>Department of Public Utility Control</td>
<td>123</td>
<td>6.2</td>
<td>6.7</td>
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<tr>
<td>(including Siting Council)</td>
<td></td>
<td></td>
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<tr>
<td>Insurance Department</td>
<td>81</td>
<td>4.1</td>
<td>4.1</td>
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<tr>
<td>Department of Liquor Control</td>
<td>49</td>
<td>1.9</td>
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<td><strong>Agencies Overseeing Funds</strong></td>
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<td>State Insurance Purchasing Board</td>
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<td>Soldiers, Sailors, Marines Fund</td>
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<td><strong>Additional Agencies with Total Budgets Between $1 Million and $8 Million</strong></td>
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<td>Military Department</td>
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<td>Agriculture Experiment Station</td>
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<td>CHRO (Human Rights &amp; Opportunities Commission)</td>
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<td>Commission on Victim Services</td>
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<td>Office of the Medical Examiner</td>
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<td>Commission on the Arts</td>
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<td>Office of Emergency Management</td>
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<td>Office of Projection and Advocacy</td>
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<td>Commission on Deaf/Hearing Impaired</td>
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<td>Municipal Police Training Council</td>
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<td>1.8</td>
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<tr>
<td>Commission on Fire Prevention &amp; Control</td>
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<td>1.0</td>
<td>1.2</td>
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<tr>
<td>Connecticut Historical Commission</td>
<td>17</td>
<td>0.8</td>
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### AGENCIES AND PROGRAMS NOT SUBJECT TO COMMISSION REVIEW

<table>
<thead>
<tr>
<th>AGENCY/PROGRAM NAME</th>
<th>AUTHORIZED POSITIONS</th>
<th>STATE FY91 GEN. FUND (in millions)</th>
<th>STATE FY91 TOTAL FUNDS (in millions)</th>
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<td><strong>Additional Agencies with Total Budgets of Less than $1 Million</strong></td>
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<td>Board for State Academic Awards</td>
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<td>Freedom of Information Commission</td>
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<td>Office of Consumer Counsel</td>
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<td>Commission on Intergovernmental Relations</td>
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<td>Commission on the Status of Women</td>
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<td>Election Enforcement Commission</td>
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<td>Bureau Statewide Emergency Telecommunications</td>
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<td>State Properties Review Board</td>
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<td>Board of Parole</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,090</td>
<td>$451.9</td>
<td>$516.3</td>
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### AGENCIES AND PROGRAMS SUBJECT TO COMMISSION REVIEW

<table>
<thead>
<tr>
<th>AGENCY/PROGRAM NAME</th>
<th>AUTHORIZED POSITIONS</th>
<th>STATE FY91 GEN. FUND (in millions)</th>
<th>STATE FY91 TOTAL FUNDS (in millions)</th>
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<tr>
<td>All Agencies Studied by the Commission</td>
<td>41,800</td>
<td>$5,206</td>
<td>$6,902</td>
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*Authorized Positions from General and Transportation Funds; funding estimates based on State Fiscal Year 1990-1991 appropriations data.*
The timeframe to study all the selected agencies was very compressed from the initiation of the Commission’s work activity. Continuing this rapid pace, approval of the final report is occurring on the same day as acceptance of three indepth reports covering 12 agencies.*

During this process, consultant recommendations relative to an individual agency were not necessarily unanimously accepted by the Commission and there are specific recommendations to which I am opposed. However, I support the Final Report as a mechanism to bring forth to the Legislature, Judiciary and Executive branches of Connecticut state government a variety of issues concerning reduction of state expenditures, improved delivery and efficiency of state services and increased state revenues which, at the very least, should receive further analysis.

*Corrections
Public Safety
Public Works
Judicial
Public Defender
Division of Criminal Justice

County Sheriffs
Department of Health Services
Department on Aging
Department of Veteran Affairs
CADAC
Department of Consumer Protection
January 15, 1991

Mr. DeRoy C. Thomas, Chairman
Commission to Study
the Management of State Government
165 Capitol Avenue, Room 118
Hartford, CT 06106

Dear Mr. Thomas,

On behalf of the 178,000 members of the Connecticut State AFL-CIO, and as a citizen deeply concerned with the welfare of our state, I wish to submit this Minority Report to the Commission to Study the Management of State Government.

During the past year, the Commission has undertaken the daunting task of completing a full programmatic review of state government operations. The Commission’s members, staff, and consultants have worked under great pressure to sustain and improve Connecticut’s government in the face of severe fiscal constraints, compounded by a regional recession.

In the end, our various studies and months of work have produced many valuable insights which will contribute to the effective governance of our state.

However, despite our goodwill and vigorous efforts, the Commission’s recommendations are critically flawed. In search of largely illusory savings, the Commission’s report compromises basic goals of our state’s public policy, and proposes a number of measures which would seriously diminish our citizens’ quality of life.

Most importantly, at a time when we must unite the public, state workers, and policy makers to solve Connecticut’s problems, the Commission’s approach has too often divided our citizens, threatened crucial services, and victimized public employees.
In the following Minority Report, I have assembled a selective review and critique of findings in two cross-cutting issue areas and a number of agency studies.

In closing, I hope that the concerns raised by this Minority Report will help us attain the goal we all share: an improved, efficient, and accountable state government, dedicated to serving the citizens of Connecticut.

Sincerely,

John W. Olsen
President

opeiu 376 afl-cio
EXECUTIVE SUMMARY

In troubled economic times, the first response of government is to cut costs and reduce services. Despite the fact that Connecticut has the highest per capita wealth in the nation, we are not a state of unlimited means. State spending must be prudent, particularly in light of the budget deficit the General Assembly now faces.

The Commission to Study the Management of State Government, however, offers proposals which go far beyond reasonable means of achieving efficiency. The Commission proposes a reversal of public policy that, if fully implemented, will have a seriously detrimental effect on the quality of life in Connecticut.

Our "social accounting system" must be significantly different from that of a private business. In attempting to measure the "savings" recommended by the Commission, we must also consider the "costs" of declining quality of work, of lost public accountability, of reduced investment in people, of diminished public policy debate, of increased sexual and racial discrimination, and of further isolating our most disadvantaged citizens.

Despite the goodwill and vigorous efforts of the Commission, its final product is critically flawed. While claiming efficiencies, the Commission has more often recommended cost-shifting to cities, towns, and individuals most in need of the state's assistance. Instead of searching to improve public services, the Commission has sought to reduce or eliminate them altogether.

In search of illusory savings which account for less than one-fifth of next year's budget gap, the Commission's report compromises vital elements of our state's social compact, and proposes measures which would seriously reduce support for those citizens who are most in need.

COST-SHIFTING: WHO PAYS?

A number of the Commission's recommendations save money only by shifting costs onto other groups of people. For example:

* Eliminating the resident state trooper program shifts the burden to small rural towns. This burden-shifting will result in higher municipal property taxes and increased requests for state relief.

* Cutting state housing and community development funds in favor of reliance on federal small cities grants entirely ignores the decade-long withdrawal of federal support for state and local housing programs. The replacement costs for these programs will be borne by municipalities and low-income citizens who cannot afford them.
* Increasing the cost of health insurance to retired state employees puts an undue burden on those with fixed incomes. Health care cost containment and a campaign against medical fraud, which cost government and private insurers $60 billion nationwide last year (or about 10% of the total amount spent on health care), should be aggressively pursued.

SERVICE CUTS

When put into their real-life context, many of the Commission's recommendations for cost-savings take on a different light:

-- One of the Commission's cross-cutting studies would cap state aid to cities and towns, without any consideration of the grave condition of each of our state's major cities. Such a cap would compromise public education, municipal infrastructure, and economic development, and contribute to the alarming rates of poverty and infant mortality, epidemics of AIDS and drug addiction, and high incidence of teenage pregnancy and juvenile crime. These ills will cost us far more to address in the long run.

-- The Commission would deprive injured workers and their families by reducing workers' compensation benefits to a level providing less than two-thirds pay for a large number of Connecticut's workers. In making this recommendation on labor policy for all of Connecticut's workers, the Commission has far exceeded its mandate.

-- The Commission would close ten of the Department of Motor Vehicles' eighteen branch offices, increasing drive time for some citizens to an hour each way. In suggesting the closings and projecting the possible savings, consultants failed to adequately account for the increasing demand on DMV services.

-- The Commission would consider divesting Uncas-on-Thames Hospital, the major long-term care facility in eastern Connecticut, and a site of important research and education in geriatric and chronic disease management. In making their recommendation, the consultants made no detailed case showing how these services would be replaced.

-- The Commission would raise tuition throughout the State's higher education system (U Conn, State Universities, and Community-Technical Colleges). At the community colleges, these increases would total almost 40%. The proposals also include eliminating 95% of all tuition waivers for seniors and veterans, and consolidating community and technical college campuses. This would effectively deny access to higher education for students in many parts of the state.
UNMET NEEDS

Connecticut is a state of great wealth and great poverty; a state with both the highest per capita wealth and the fourth poorest city in the nation. The greatest weakness of the Commission's report is its failure to see state services in human terms, rather than simply as figures on a bottom line. The Commission points to the growth of state expenses over the last five years, but makes no mention of the growing human needs that face almost 250,000 Connecticut citizens who live in poverty, and no mention of the other unmet needs that state and local services strive to address. The following statistics indicate the depth of those unmet needs:

* As many as 39,000 children under the age of five live in poverty.

* Connecticut's infant mortality rate is the highest of all the New England states.

* Chronic hunger problems occur in 18% of all Connecticut families with children.

* Connecticut has 600 toxic waste dumps awaiting clean up.

* More than 400,000 children are in need of day care so their parents can earn a living.

* Thousands of families live in sub-standard housing, and homelessness is on the rise.

* As many as 350,000 Connecticut citizens have no medical insurance.

* Industries continue to leave the state, displacing long-term workers and threatening the economic stability of many communities;

* Access to new job opportunities through higher education is decreasing, as tuition and other costs increase, and financial aid does not keep pace with inflation.

These needs, which are left unattended by the private sector, demand the improvement and expansion of public services, not their abandonment.
THE HIDDEN COSTS OF PRIVATIZATION

In The Limits to Privatization, Paul Starr, a Pulitzer Prize winner and professor of sociology at Princeton University, writes:

"Given the American experience with defense production, construction projects, and health care -- all mostly produced privately with public dollars -- it is remarkable that anyone could see a path toward budgetary salvation simply by shifting the source of service production from the public sector to the private sector."

Despite the historic failures of "contracting out", the Commission proposes the wholesale privatization of selected health care services, safety inspections, and janitorial services. In recommending privatization of large scale operations such as motor vehicle safety inspections and emissions testing, consultants ignore the real costs of administrative overhead, the threat of vendor fraud, the likelihood of monopoly pricing, and the dangerous lack of quality control.

In other proposals, minimal cost savings would be achieved by hiring contractors who keep prices low by exploiting workers, often women and minorities, who are paid sub-standard wages and provided with little or no benefits.

STATE EMPLOYEES: PART OF THE SOLUTION

The Commission’s executive summary lauds the work of state employees, but its actual recommendations read like a declaration of war.

In the coming fiscal year, our citizens are likely to face a combination of higher taxes and reduced services as the state legislature’s answer to the budget crisis. As state employees are also citizens and taxpayers, the Commission’s proposals would confront them with a "triple threat" of higher taxes, fewer services, and a reduction in their salaries and benefits.

Underlying this attack on worker gains are three main assumptions:

1. The number of state employees in Connecticut is too high;
2. Their health care benefits are too extravagant; and
3. The mechanisms used to achieve fairness, specifically pay equity and binding arbitration, are unfair to the state as an employer.
The facts, however, are these:

* Connecticut’s number of state and local employees per 10,000 citizens is below the national average, according to the Bureau of National Affairs. As of October, 1989, our state had 487 public employees for every 10,000 residents, as opposed to the national average of 518.

* Only single individuals in state employment have their health insurance premiums completely covered. So do state employees in 26 other states in the nation, and so do 61% of citizens working for private employers. State employees with family members on their health plan pay about 20% of their premium costs.

* The fight for pay equity has been a twelve-year campaign to eliminate sex bias and other discrepancies within state employment. The Commission’s recommendations, based on a wildly exaggerated claim of pay equity’s additional cost, would cripple this process and leave wage discrimination in place. By aborting this process before its completion, these recommendations would leave the State liable, and incur future costs.

* Binding arbitration gives the State ample opportunity to achieve what it would consider "success" in collective bargaining. Under the current system, the State puts forth negotiating demands, participates in the mutual choice of an arbitrator, issues its "last best offer", and finally, retains the right of the state legislature to reject a "binding" arbitration award. The Commission’s recommendations seek to "tip the playing field" away from the fairness achieved in 1986 with the passage of the binding arbitration law.

Rather than using state employees as scapegoats, we should view them as part of the solution to the state’s fiscal crisis. Indeed, cooperative ventures between the state and state employee unions have demonstrated the potential for significant cost savings:

* A joint approach between the state and its unions has produced $25 million in savings through the use of competitive bidding and other cost-control measures in providing health care for state employees. This joint approach has also improved the delivery of services and cut down on use of unnecessary specialized care.

* State employee unions have pushed for and won the establishment of stress reduction committees, wellness programs, and safety committees which keep employees healthy and reduce lost worktime. The Commission spends little effort examining this area, but the potential savings here are significant.

* In the current state employee pension agreement, there is an opportunity to pursue the Preferred Provider option for health care, potentially saving even more state costs.
CONCLUSION

During the course of the Commission's deliberations, I was reminded of the story of the man who knew the price of everything, but the value of nothing. To adopt the majority of the Commission's recommendations would be to turn our backs on the awesome tasks and commitments of state government, and cease to serve the people of Connecticut.

I am not suggesting that the Commission's work is entirely without merit. In their various studies and months of work, the Commission's staff and consultants have produced some valuable insights which will aid in the efficient administration of state agencies.

There are worthy proposals for improved information management, increased automation, and limited reorganization that will result in better, more cost-effective delivery of vital state services. One can find scattered throughout the report a number of recommendations that state employees and public advocates have been promoting for years. However, these useful proposals should not overshadow the potential harm that the bulk of the report would do to existing state programs.

With the conclusion of this Commission's work, the state legislature and the citizens of Connecticut are faced with a stark choice.

We can recognize the necessary role of government, commit ourselves to funding it equitably, and work together to make it more efficient and responsive.

If we do not, we must retrench, renege on our commitments to Connecticut's future, and let the whims of the market decide our fate.

For our state, for ourselves, and for our children, we cannot afford such a course.
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Personnel and Labor Force Issues

It is no exaggeration to state that the Commission’s proposals on personnel and labor force issues are at the core of its report. The Commission’s largest cost savings claims and broadest administrative recommendations relate directly to changes in personnel policy. In many ways, the overall value of the Commission’s report rests with the quality of its propositions for managing the State’s workforce.

Indeed, at several points in its Final Report, the Commission recognizes the centrality of state employees to its mission of improving the “delivery and efficiency of state services,” increasing state revenues, and reducing state expenditures.

Unfortunately, the Commission’s personnel recommendations belie these acknowledgements. Rather than uniting public employees, policy makers, and citizens in addressing Connecticut’s problems, the cumulative effect of the Commission’s personnel recommendations is to victimize state workers.

As a package, these recommendations would in no significant way improve the quality or efficiency of government work, but only make state employees the butt of public frustration with the quality and cost of state government. If implemented, they would deprofessionalize and demoralize the public workforce just when we need the best efforts of our state employees to guide us out of the current crisis.

While there are personnel recommendations scattered throughout the report, the majority of the Commission’s broad personnel proposals are made in the review of the Department of Administrative Services’ (DAS) Bureau of Personnel Services and Labor Relations.

Here, the Commission’s consultants claim that their personnel recommendations would achieve five year “savings” of $90 to $132 million. Twenty to fifty million dollars of these savings would come from changes in state employee health benefits and the workers’ compensation program.

However, the focus of the consultants’ recommendations is not to realize genuine cost savings in these areas by actually reducing medical costs and improving safety in the workplace. Instead, the consultants emphasize options that shift the blame and the burden of these costs onto state employees.

State employee unions have long stressed and made concrete progress in addressing the fundamental issues of health care cost containment and safer work environments. Indeed, the unions have helped initiate most of the genuine cost containment recommendations made in the report.

In the pages below, we will discuss issues of concern under categories which parallel the Commission’s Final Report on Personnel and Labor Force Issues, while referring to specific recommendations of the report on the DAS Bureau of Personnel Services and Labor Relations. Quotes and page numbers refer to the latter document unless otherwise noted.

PERSONNEL COSTS

In its Final Report on Personnel and Labor Force Issues, the Commission offers data to suggest that Connecticut suffers from high public personnel costs, calling the State’s salaries and benefits “among the most generous in the nation,” and assessing staffing levels as “consistent...with other states.”

In fact, public employee salaries merely reflect Connecticut’s comparatively high income levels and costs of living. When Connecticut public sector salaries are compared to those of the state’s population at-large, the differential ranks us twenty-ninth (29th) among the fifty states. (State Policy Reports, Vol. 8, Issue 3, p. 14)

While the Commission is correct to suggest that Connecticut state government staff levels are comparable with other states, when both state and local government are accounted for, Connecticut ranks thirty-ninth (39th) among the states. (State Policy Reports, Vol. 8, Issue 3, p. 15)

These figures hardly suggest the overpayment of state employees or overstaffing of our state government.
OBJECTIVE JOB EVALUATION AND THE IMPLEMENTATION OF PAY EQUITY

In the course of their report, the consultants make a series of recommendations to delay and restrict the implementation of pay equity through the Objective Job Evaluation (OJE) process.

By grossly overstating the costs associated with the mandates of Public Act 87-407, the consultants greatly exaggerate the savings that would result from amending it. On the basis of these exaggerations, they recommend dismantling many of the act's major provisions.

Indeed, the consultants' recommendations would insure that equitable compensation is never achieved. In effect, the consultants' recommendations would require the abandonment of the State's twelve year commitment to ending wage discrimination with only a few steps remaining to be taken.

Recommendation: "Public Act 87-407 mandates that pay equity ("within and between job families") must be achieved by June 30, 1991. The act should be revised so that it clearly refers to pay equity within bargaining units rather than between bargaining units..." p. 162.

If adopted, this recommendation alone would effectively destroy the pay equity process, and leave many years' efforts to eliminate sex based discrimination in State pay policy incomplete and wasted.

As in the private sector, most females and minorities employed by the State are segregated into a few select job families. While this is obviously something the State should correct by hiring more women and minorities into jobs traditionally reserved for white males, it is also the basis for the very pattern of wage discrimination which the OJE process is designed to redress.

The OJE process is intended to allow pay for these disparate types of positions to be compared in order to eliminate discrimination between female dominated and male dominated positions. If the requirement to eliminate discrimination between job families is removed, the wage discrimination between predominately male and predominately female occupations will remain, defeating a central purpose of the OJE process.

Contrary to the consultants' claims, arbitrators have not interpreted this act in widely different ways. On the signal issues of internal bargaining unit equity and equity between bargaining units, the act is quite clear. The act requires that equity between bargaining units be achieved.

Eliminating the requirement of equity between bargaining units would have much the same effect as eliminating the requirement of equity between job families. Much of the structural wage discrimination in the state salary system, including sex discrimination, exists between bargaining units.

The consultant is correct that the OJE process has thus far mitigated but not entirely eliminated inequities in the State's wage system. It will only eliminate inequities when equity between bargaining units is fully achieved. This must be accomplished through coalition bargaining between the State and all unions representing State employees.

The consultants' claim that the state will incur costs of $62 million to $65 million dollars will be incurred if equity between bargaining units is achieved is simply wrong.

These figures assume that all employees in bargaining units on the P-1 pay line are paid on that line: in fact as many as 50% are paid above that pay line. This, in part, is why arbitrators have found that it leaves discrimination in place.

Even if we assume that all bargaining units want to be placed on the P-5 pay line, no one has determined how different job positions will be adjusted to move to that pay line. Neither has any unit proposed that employees retain their step placement when upgraded. Only in this case could the cost of achieving inter-unit equity even approach $50 million.

To date, implementation of awards designed to achieve pay equity has always been phased in through one of two methods. Each of these substantially reduce costs by placing incumbents on lower steps of their new salary grade than they would otherwise be acceded.

Until the State and state employee unions meet and negotiate the exact terms of fully implementing pay equity, no one can determine the absolute cost. A much more reasonable estimate would be less than one-third of the consultants' estimated savings.
Furthermore, this cost could be spread over a number of years in order to mitigate any fiscal impact. The act purposefully leaves open the details of just how pay equity should be achieved. This flexibility allows the unions and the State to negotiate a reasonable system of implementation once a pay line is agreed upon.

The consultants claim that negotiations have disabled the State's efforts at implementing pay equity. As we show below, arbitrators have found that the State has totally failed to address sex discrimination in its contract proposals.

In fact, the State has made no effort even to effectively review whether or not wage discrimination exists. It has instead held to a pay line which was formulated when the OJE study was still 90% incomplete. It is this failure to address the mandate of the legislature that has hurt the state's salary administration and pay equity efforts.

We must note that the consultants failed to discuss OJE with either the state employee unions involved, or with public advocates, like the Permanent Commission on the Status of Women, who have followed the process. The evidence we adduce below suggests that they could not have closely read the decisions in the relevant arbitration awards.

This cursory treatment of the mandated pay equity process is unfair to both the legislature and to the women and minorities who stand to suffer from the consultants' recommendations.

Recommendation: "Amend C.G.S. Sec. 5-200a, Public Act 87-407 such that the practice of red circling job classes determined to be overcompensated (relative to their point assignments) by the OJE process is permissible." p. 177.

This recommendation is based on a number of false statements about the Objective Job Evaluation System mandated by C.G.S. Sec. 5-200a, Public Act 87-407.

The consultants' analysis and recommendation concerning the "no red circling" clause of the statute is based upon a misunderstanding of its requirements. This section of the statute expressly does not require that entire bargaining units be brought up to the highest OJE point-to-pay ratio of any position in the state salary system. No union has made this claim, no arbitrator has ruled this way, and the statute in no way requires such a ridiculous standard.

The consultants' concern is dealt with specifically by the statute's inclusion of the following language: "Extraordinary variations in compensation in relation to point values assigned by such studies shall not necessarily be used as a basis for upgradings of any job classifications or salaries and shall be a subject for collective bargaining."

This language clearly stipulates that the payment of one or even a small group of positions at disproportionately high rates would not require that all positions be raised to their level.

The consultants also claimed that the arbitration awards for both the P-5 and the P-2 bargaining units were forced upon the arbitrator due to the statute's prohibition of red circling.

This is factually incorrect. Nowhere in the arbitrator's award of the P-5 pay line does he site the prohibition of red circling as an issue in his decision.

In justifying his award, the arbitrator stated:

...the Union in forming its pay line for these contract negotiations, took into account Public Act 87-407 which specifically requires the elimination of sex based inequities... the most significant evidence is that established concerning the elimination of pay inequities based on sex which are specifically considered under the Union's offer but not under the State's offer... (p.194 of the arbitrator's Award)

in the P-2 decision, the arbitrator stated:

...the Union's proposal moves toward achievement of a State mandate of eliminating sex-based pay inequities within the P-2 bargaining unit, while the State's proposal does not in any way address that mandate. For this reason, I will award the Union's proposal...(p. 19 of the arbitrator's award)

The arbitrators ruled that only the P-5 and P-2 pay lines, as proposed by the unions, would eliminate sex-based wage discrimination in those bargaining units. Those pay lines were not constructed by finding the single male position with the highest ratio
of pay to OJE points, but by averaging the pay of all male-dominated positions in each unit. The allowance of red circling would in no way affect the determination of these pay lines, nor modify the awards issued by the arbitrators in either of these cases.

The consultants make astronomical claims regarding the cost of not changing the statute, estimating savings of up to $37 million for just six selected bargaining units. These estimates are overstated because they are based upon the fallacious case in which the pay-to-point ratio of all positions must be raised to that of the highest single job in the system.

We reiterate that this is in no way required by the existing statute, nor has it been proposed by any union. The only way such a cost could be incurred is if the State unilaterally raised the pay of all predominately male positions, thus necessitating a similar increase for all predominately female positions. Needless to say, this is highly unlikely.

As we have demonstrated, the arbitration awards which bear on the implementation of pay equity are not the result of the “no red circling” language, but of the State negotiators’ refusal to address sex based discrimination in their proposals. Since the previous arbitrators’ decisions have not been based on this language, there is no reason to assume that it would decisively affect the awards in future arbitrations.

**Recommendations:**

"Centralize/consolidate all salary administration activity." p. 177. "A consistent and rigorous methodology should be applied when salary setting." p.177

The consultants’ recommendation that the State’s pay policy should be more consistently applied can be best accomplished through coalition bargaining over the final implementation of the OJE system. Coalition bargaining would allow unified and consistent deliberations on all issues of contention, including sex discrimination, fiscal constraints, and the very consistency of the State’s pay policy.

The State employee unions have requested the beginning of these coalition negotiations. The most appropriate and productive recommendation toward the goal of establishing a consistent pay policy among all of the State bargaining units would be to immediately commence coalition bargaining.

**Recommendation:**

"The State should consider implementing a managerial job evaluation plan independent of the point system currently being used for non-managerial classes." p. 178

The consultants’ recommendation to separate managerial positions from the OJE system was based upon the fact that managerial salaries have been found to vary widely relative to their assigned OJE points. This variance should not be seen as a cause to exempt managerial positions from the OJE system, but rather as cause for a complete revamping of managerial salary setting practices.

The consultants claim that a separate system would allow such factors as “the scope and impact of supervisor responsibilities, fiscal responsibilities, etc.” to be taken into account. All of these factors are already accounted for in the OJE system. A great deal of weight is placed on both supervisory responsibilities and accountability for state financial resources. Based on these two factors, managerial positions have been assigned significantly higher OJE points than non-managerial positions.

The divergence of current managerial pay scales from the OJE system demands a close review to determine whether managers are being overpaid based upon political considerations or other problems in the salary administration system, and to determine whether sex discrimination is a factor. The disparities reveal a desperate need for further investigation and review.

The assumption that these disparities are due to the unsuitability of the OJE system is ill-founded and undemonstrated by the consultants. There has been no other objective review of managerial salary setting that is inconsistent with the OJE points assigned these positions. The current managerial salary review under OJE should not be disregarded simply because of the consultants’ discomfort with the discovery that wide disparities exist.

**STATE EMPLOYEE HEALTH BENEFITS AND HEALTH CARE COST CONTAINMENT**

The consultants correctly point to state employee’s health insurance benefits as an area where costs must be contained. On a national level, health care costs have been rising at a 15 to 25% annual rate over the past several years.

However, the report’s recommendations only tangentially address controlling provider costs, and instead propose shifting the burden of rising costs onto State workers and retirees.
Recommendations:

"Implement an 80% Premium contribution to retiree medical plan" pp. 88-93.

"Require flat 20% employee contribution to medical plans" pp. 141-145.

These proposals to shift rising health insurance costs onto employees and retirees are regressive measures which would neither address the source of the problem, nor result in appreciable long-term savings.

Rather, by retreating from employer responsibility to provide health care benefits, the state government would open the door to further deterioration of benefits in the private sector, and further escalation of health care costs.

By demanding increased contributions from employees, the consultants are merely shifting costs, not reducing them. As long as medical costs escalate out of control, any cost shifting will be quickly wiped out and any short-term savings will be quickly eliminated.

The real answer to rising health care costs is a program of comprehensive cost containment and increased public administration of health care, as unions and public interest groups have advocated.

It is easy to demonstrate that a far larger stream of savings will accrue from reducing the growth rate of costs than by cutting the State’s premium contribution from 100 to 80%. Essentially, the choice is between paying only 80% of a bill that grows very fast, or of paying 100% of a bill that grows much more slowly. The second is clearly the better option.

Finally, as the consultants note, Connecticut’s full provision of health benefits is not unusual. Twenty-six states pay 100% of the individual plan premium, and twenty-four states pay 100% of retiree health premiums.

Recommendation: “Improve systems and criteria to refer more cases to case management” pp. 107-109.

We agree that case management can effectively contain costs by channelling people into long term preventive care programs, and away from unwarranted and expensive specialized care.

However, tightening case management to restrict employees’ access to necessary treatment is neither ethical nor cost effective. Barring access to medical care will almost certainly cause the State to incur higher future costs, because minor illnesses will develop into acute or chronic conditions.

The consultants’ background discussions and figures present a misleading picture and unfairly insinuate that abuse of the system by state employees and retirees is an important cause of rising medical costs.

In both the text (p. 108) and in charts (pp 113-115), the consultants portray state employees as having markedly higher levels of admission and longer hospital stays than “all Blue Cross” users, and suggest that the average length of stay has increased dramatically.

It is not at all clear that the consultants are employing comparable groups in terms of age structure either occupational hazards in these comparisons. If this is not the case, the graphs are highly misleading, and provide no meaningful evidence.

In addressing the rising length of hospital stays, the report admits that “increased healthcare utilization be may be partially the result of the aging State employee population (p. 109).”

As the next figure (p. 114) suggests, the increased length of stays correlates with the fact that admissions have fallen dramatically since the early 1980’s. This may suggest that a higher percentage of patients being admitted are suffering from serious conditions.

Here and elsewhere throughout the report, the consultants fail to provide an adequate description of the current status and trends of the demographic composition of the workforce.

The consultants' harsh attack on the savings distribution formula arises from their misunderstanding of the rising spiral of health care costs. If particular, sectoral costs could be reduced while the general inflation rate of medical costs remained astronomical, the consultants' concerns might be justified. This, however, is not the problem.

If medical cost inflation is not curbed, there will never be any savings to distribute. If medical cost inflation is curbed, the two-thirds of savings reinvested in benefits will not appreciate dangerously. The savings distribution formula is simply not the crucial cost containment issue represented by the consultants.

**Recommendations:**

"Implementation of Health Care Cost Containment Programs" pp. 104-106.

"Implement managed prescription drug pharmacy network/Drug UR" pp. 141-145

"Centralize the Benefits and Compensation Policy and Planning Functions" pp. 117-118.

The joint Health Care Cost Containment Committee (HCCCC) has already initiated all of these recommendations. In fact the committee has a distinguished record of accomplishments which include the following:

--HCCCC pioneered competitive bidding in 1985 and with this has saved the State $25 million in premiums to date.

--The committee negotiated interest payments to the State on the premium cash flow and bargained with Blue Cross for performance guarantees on COB performance and the timeliness of paid claims.

--The group arranged an agreement to penalties for failure to pre-certify admissions.

--HCCCC has tried to increase the effectiveness of Healthpro, the UR firm, by negotiating improved access to the hospitals.

--A pilot membership audit program is underway at the Labor Department and will be extended to Public Works.

--More significantly, the Committee is selecting a firm to audit the performance of Healthpro to monitor and improve its performance.

--HCCCC is also seeking to implement a carve-out of mental health benefits to control this high cost area of the benefit package.

--The state employees' pension agreement contains a reopener to pursue Preferred Provider agreements and, where possible, to negotiate further reductions from selected providers.

We cite the work of the HCCCC to demonstrate that state employee unions have been committed to solving the fundamental cost issue. Their efforts have been hampered by a lack of funds and by the State's lack of a coordinated approach to the problems.

The limitations of cost containment to date are no reason to shift costs onto workers. Better funding of containment efforts will both reduce costs and win the support of state employees.

**WORKERS' COMPENSATION**

Recommendations, pp. 119-124:

"Reduce Some 100% Workers' Compensation to 66 2/3 %"

"Institute 3-Day Benefit Waiting Period for Workers' Compensation Claims."

"Reduce Workers' Compensation Maximum Benefits to 100% of Average Production Wage"

"Subject Workers' Compensation Medical Claims to a Fee Schedule"

This series of recommendations would deprive injured workers and their families of sorely needed financial assistance by
restricting access to aid, cutting enhanced benefits for hazardous duty employees, and reducing general benefits to a level providing less than two-thirds' pay for many of Connecticut's workers. In making these recommendations for all of Connecticut's workers, the Commission has far exceeded its mandate.

We believe that these recommendations are bolstered by the common misconception that Connecticut's Workers' Compensation system is extravagant and abnormally costly. In fact, while Connecticut provides injured workers and their families with one of the highest benefit levels in the nation, the State's actual costs are far from the top.


Given Connecticut's high per capita income and high costs of living, the current benefit levels, which have been provided at reasonable cost, are barely enough to avoid severe economic hardship. The proposed cuts would be devastating.

The portion of the report which focuses on cutting benefits for hazardous duty employees represents another misdirected attempt at cost shifting. Rather than stressing safety and injury prevention programs to contain costs, the consultants seek only to reduce the State's cost liability.

The legislature's intent in establishing enhanced workers' compensation benefits for hazardous duty employees was to recognize their increased risk of injury, and to protect them from severe financial loss. Many hazardous duty employees suffer crippling injuries and reduced earning capacity for the rest of their lives. Cutting benefits for these employees is the ultimate slap in the face.

A better approach to cost savings would be to recognize and encourage the efforts of state employee unions in negotiating injury prevention, safety, and light duty programs. New England Health Care Workers, District 1199/SEIU has instituted such programs at Norwich state hospital, where injury rates have plummeted, and injured workers have accelerated their return to work.

Programs of this kind should be fully funded and receive enthusiastic administrative support.

MANDATORY BINDING ARBITRATION

The Commission's Final Report on Personnel and Labor Force Issues repeats a number of misrepresentations about the mandatory binding arbitration process and its effects.

1. The report asserts that in "final offer" arbitration, the State "risks losing" on every issue. While this is theoretically true, it gives the misimpression that mandatory binding arbitration is an all or nothing proposition. In fact, arbitrators most often construct an award from elements of the "last best offers" of both sides.

2. The report suggests that the "acceleration of the benefit awards" under the current approval process "serves as an impetus to impasse." This approval mechanism speeds up only the very last leg of the negotiation, binding arbitration, and contract award process, and thus hardly serves as an impetus to impasse.

The process of conducting preliminary negotiations, reaching impasse, developing a case, entering binding arbitration, and awaiting legislative approval can delay the achievement and implementation of a contract for up to a year or eighteen months. The benefits of mandatory binding arbitration to workers and unions do not come from its speed.

3. While the union and State proposals are judged against the standard of the State's "ability to pay", this is by no means the sole "compelling factor" in deciding any arbitration award, whether in mandatory binding arbitration or not. A simple reading of recent awards will testify that many other factors have a role in determining the scope and size of awards.

SYSTEM PROCEDURAL REFORM

Recommendation: "Review Effects of Revisions to the Merit Promotion System" pp. 173-175.

The report argues that the merit selection process should be speeded up and that there should be more flexibility in job classifications.

Currently, the merit system is excluded from collective bargaining by statute. The extent to which it does not work is the fault
of poor administration.

The loosening and restructuring of job classifications involves the reassignment and consolidation of work duties. Each of the state employee bargaining units may have a different approach to this issue. Proposed changes in this area should be discussed with the various state employee unions.
Privatization

In its section on Privatization, the Commission’s Final Report provides a skeleton review of the State’s current process and capacity for privatizing public services.

The Report notes the lack of existing measures to identify and assess privatization “opportunities”, records several factors requiring caution, and discusses the current impediments to privatization. It goes on to recommend a set of procedures and criteria for further exploring, evaluating, and implementing the privatization of state services.

This cautious approach contrasts with the sweeping privatization recommendations issued in the Commission’s departmental reviews. As the Final Report documents, the Commission has recommended the privatization of a wide range of state functions, from a number of custodial and support services to huge operations, such as vehicle safety and emissions inspections, and prison food and health services.

These specific proposals testify to a far more aggressive privatization strategy than is acknowledged in the Final Report. If implemented, they would establish privatization as a central tool of public administration in the State of Connecticut.

We are adamantly opposed to the wholesale privatization of essential public services. The risks and costs inherent in “contracting out” these public services are so great that even the effort to seek out privatization “opportunities” is suspect.

In making their recommendations, the Commission’s various consultants have failed to recognize, much less to address the problems with privatization. Indeed, many of their proposals rest solely on the unsupported assumption that private sector services are superior to publicly administered services.

Below, we wish to alert the Commission to some of the main risks and hidden costs of privatization.

ADMINISTRATIVE COSTS AND ACCOUNTABILITY

On many occasions, the Commission’s consultants have failed to accurately assess and represent the administrative costs associated with privatizing state services. Privatizing large operations requires much more than a one-time cost to develop and issue RFP’s. Privatization often entails creating an entire layer of bureaucracy to deal with the bidding process, administer the contracts on a day-to-day basis, and closely monitor results to insure accountability.

Accountability is a particularly serious problem, because private contractors’ chief goal is making a profit, not meeting public needs. The profit motive creates a powerful incentive to cut corners by using low-quality materials, employing inexperienced personnel, and ignoring contract requirements.

Consequently, privatization requires intensive efforts to supervise contracted work. The cost of these efforts significantly diminishes the savings claimed for many privatization efforts.

When services are privatized, the responsibility for training contractors’ personnel is frequently placed upon remaining public employees, and carried out at public cost. Additionally, contractors’ bids and government cost estimates are often low only because they do not reflect the cost of the public equipment and facilities being used.

COST OVERRUNS

The Commission’s consultants have not accounted for the common practice whereby contractors “low-ball” or underbid to receive a new contract, and then raise rates once it has been established. While cost overruns in the federal Department of Defense are legendary, such overruns are equally common in state and municipal government.

In one recent example, a New York City Transit Authority study of its Station Modernization Program found that while contracted work was $27 million over budget and more than two years behind schedule, work assigned to public employees was on schedule and within budget.
PRIVATE MONOPOLIES

In many cases, the Commission’s hope of preventing monopolies, successfully re-bidding contracts, and occasionally resuming public administration of services is unrealistic. When contracts come to an end, the cost of switching providers or re-establishing public services is usually prohibitive.

Once companies have substantial contracts, and have acquired all the expertise and equipment to do the job, it is very costly for governments to switch to new contractors and begin again. In addition to repeating many of the initial administrative costs, governments must frequently reimburse contractors for money spent to acquire or improve facilities.

The established service providers, knowing they have a lock on their contracts, can then increase their rates or perform sub-standard work without concern.

CONTRACT PADDING

The Commission is insufficiently wary of contractors who claim artificially low service costs to gain contracts, while insuring their profits through provisions unreflected in the “bottom line”. Two examples follow:

ServiceMaster pads its janitorial contracts by insisting that only ServiceMaster brand cleaning supplies and equipment can be used. This removes local merchants from competition and hurts the local economy while steering profits to ServiceMaster.

Rural Metro, a private fire fighting company operating in five states, required Sun City, Arizona to guarantee an 8.5% profit, pay a $50,000 annual management fee, and reimburse costs for all firefighter training.

CORRUPTION

The Commission should take note of the serious risks of corruption in the privatization of public services. As the recent scandal at the U.S. Department of Housing and Urban Development (HUD) demonstrates, payoffs, kickbacks, price-fixing, collusive bidding, and charges for work never performed and materials never used are common companions of contracting out.

In fact, it was public outcry over the profuse fraud, political corruption, and unreliability of contracted services in the early 20th century that led to direct government administration of garbage collection, road construction and maintenance, public transportation, and other basic services.

ISOLATION OF DISADVANTAGED COMMUNITIES

The Commission fails to note that a frequent result of privatization is the reduction of services to “unprofitable areas”. When left to their own devices, private-for-profit firms rush to serve profitable client groups and areas while leaving unprofitable, poor, or rural clients and areas unserved. This problem has been experienced with both privatized hospitals and transportation systems.

THE THREAT TO WORKERS AND COMMUNITIES

The Commission and its consultants ignore the broader negative effects of privatization on Connecticut’s workers and communities.

Privatization would undermine wage and benefit standards for all of Connecticut’s workers. Public sector contracting, with its reliance on temporary and part-time employees, would deprofessionalize state services and accelerate Connecticut’s trend toward a casualized, transient workforce.

As a 1984 study prepared for HUD privatizers recognized, contracting out is often cheaper because “contractors tend to use part-time labor wherever possible and are very likely to use the least qualified personnel.” Other studies document that contractors pay lower wages and benefits, provide fewer vacations and sick days, and make extensive use of part-time and temporary personnel.

In general, contracting out constitutes an instance of income shifting from workers and community members to large contracting firms. Local economies lose from both the export of profits to distantly-based corporations and from reduced wage and benefit expenditures. Through a “negative income multiplier”, we can calculate that a community loses approximately $2.40 in consumer purchases for every dollar of wages lost.
In addition, communities lose tax revenues, as wages and jobs are cut, while assuming the new burdens of funding unemployment compensation and public health services for laid-off and permanently displaced workers.

Contracting out also undermines the vital public policy goal of insuring equal employment opportunities for women and minorities. It is well documented that the public sector has provided far greater and higher quality employment opportunities for women and minorities than the public sector. When public jobs are privatized, women and minorities suffer most.

In 1983, a California statewide commission studying Los Angeles County determined that African-Americans and Chicanos had experienced more than 90% of the layoffs resulting from privatization, while they made up only 47% of the workforce.

**PRIVATIZATION: PROTECTING THE PUBLIC INTEREST**

The above cited dangers of privatization justify stringent guidelines to govern all attempts at contracting out. To insure public accountability and protect workers and communities, state governments, municipal governments, and public employee unions across the nation have initiated a wide variety of measures.

These measures include:

1. Requiring advance notice and full public disclosure of contracting decisions.
2. Compelling public agencies to demonstrate that privatization will produce “substantial” savings.
3. Requiring that cost analyses accurately reflect all the costs of contracting out.
4. Forcing contractors to meet the same standards of efficiency, disclosure, and fairness required of public agencies.
5. Obliging contractors to meet certification, licensing, and affirmative action requirements.
6. Guaranteeing that privatization will not permanently displace public employees.
7. Giving unions the right to bid on any work that is proposed for contracting out.
8. Requiring that contract workers be paid at the same rate as public employees, and receive health benefits.

**AN ALTERNATIVE TO PRIVATIZATION**

We believe that there is a better, more constructive alternative to privatization: the initiation of vigorous, cooperative efforts of labor and management to improve the efficiency of state government.

The State must begin looking at its employees as an integral part of the solution to its fiscal and programmatic problems, not as the source of the crisis. State employees, many of them with years of experience and untapped ideas, must become central participants in a campaign to improve our state government.

Labor-management committees (LMC’s) are an important vehicle toward this end. The State’s existing LMC’s have already achieved impressive cost savings and improvements in service.

KMPG Peat Marwick, one of the Commission’s consultants and a former sponsor of the Privatization Council, has recently been promoting LMC’s as an alternative to contracting out.
In the words of Jack Miller, then National Director of KPMG’s Government Services:

Labor and management teamwork helps provide quality public service. It means involving employees in decision-making and listening, because they often come up with the right solutions. It means investing in employees through career development, education, and cross-training. And it ultimately results in strategic long-range planning -- in short, doing away with short-term solutions to long-term problems.

This path of successful labor-management cooperation is the surest way to the improved productivity, higher quality of service, and greater cost-effectiveness that privatization promises, but seldom delivers.
Board of Education and Services for the Blind (BESB)

Recommendation: "Consolidation: Transferring Children's Services to the Special Education Unit in the Department of Education's Division of Support Services; to achieve economies of scale and reducing the ratio of education consultants...from BESB's current ratio of 1:3 to the 1:8 ratio utilized by the Department of Education's (DOE) Special Education consultants."

KPMG Peat Marwick recognizes that DOE's Special Education consultants are program review personnel, while BESB's consultants provide direct services to visually impaired children. They note that the BESB consultant-client ratio is set by federal regulation. They acknowledge that these factors would make reducing the BESB staff by twenty counselors almost impossible.

Nonetheless, they make the recommendation.
Department of Administrative Services -- Bureau of Purchases

The Deloitte & Touche report on the Bureau of Purchases provides an in-depth review of the Bureau's wide range of activities.

Our response will touch on only three areas: the sections entitled “Improving Fleet Vehicle Utilization”, “Statewide Vehicle Maintenance Consolidation”, and “Reduced Cost of Laundry Service”.

“IMPROVING FLEET VEHICLE UTILIZATION” P. 14.

The consultants' recommendation to “Downsize the DAS Fleet Operations number of vehicles by 500 to 750 vehicles”, grossly overestimates the State savings to be achieved, and rests upon a significant shifting of costs and burdens onto state employees.

The consultants claim that “for vehicles driven less than at least 1,000 miles a month, it is cheaper to reimburse the State employee for the personal use of his or her own car,” and go on to project five-year cost savings based on the elimination of 610 vehicles from the state fleet (40% of those used less than 1,000 miles a month).

However, in calculating the yearly savings, the consultants add in the full yearly cost per vehicle, while subtracting reimbursement costs which reflect only one month's mileage! As a result, the consultants misstate the reimbursement cost by a factor of 12, and miscalculate the net savings by almost 50%!

The “LESS $.25/Mile” and “NET SAVINGS” line items on p. 21, the column marked “ANNUAL NET STATE SAVINGS” on p. 22, and the “Cost of Implementation” and “Net Savings” figures on p. 23 all reflect this miscalculation.

Where the consultants claim five-year savings of approximately $9.92 million, and discounted savings of approximately $8.24 million, their own mileage figures indicate that actual savings would be approximately $5.15 million, discounted to approximately $4.28 million.

These savings, comprising just over 50% of the consultants' estimate, could be achieved only at significant cost and inconvenience to state employees.

The standard mileage allowance proposed as the sole compensation for affected state employees would almost certainly fail to meet their increased vehicle depreciation, operating, and maintenance costs. Many private and public sector employers recognize the inadequacy of the standard mileage allowance by offering supplementary compensation to employees who use their personal vehicles for business purposes.

More frequent vehicle replacement costs, increased insurance requirements, and questions of liability for accidents on the job would combine with the costs cited above to place unacceptable burdens upon state employees affected by the proposed policy.

In anticipation of such an attempt to shift costs onto the workforce, the current Maintenance and Service Unit Contract (NP-2) requires that “Bargaining unit employees shall not be directed to use their personal vehicles for State business, except under extraordinary circumstances.”

“STATEWIDE VEHICLE MAINTENANCE CONSOLIDATION” P. 24.

The consultants' recommendation to centralize the maintenance of State vehicles within the DAS Fleet Service has the potential for both positive and negative impact.

While the consultants' plan to realize economies of scale and improvements in equipment and services is plausible, a number of problems are likely to materialize unless the recommendation is implemented very carefully. Among these problems are the following:

-- Scattered delays in vehicle repairs are likely due to a decrease or lack of agency mechanics on-site.

-- Agencies will suffer increased “hidden costs”, such as time lost in travel to and from repair shops.

-- Accountability for the condition and on-going maintenance of vehicles may decrease as repairs are moved off-site.
Hazards may result from the assignment of less qualified personnel to repair more sophisticated equipment which requires specialized maintenance skills.

Finally, we can anticipate a number of problems with the disruption and dislocation of personnel, both within the current DAS workforce and among agency mechanics facing transfers. As this recommendation is evaluated, legislators and administrators should carefully scrutinize the concrete proposals for reorganizing the maintenance staff and accommodating the skills of displaced agency mechanics.

"REDUCED COST OF LAUNDRY SERVICE" P. 75.

The consultants offer two alternatives for reducing the unit cost of the Regional Laundry Services by 24%, to $.31 per pound: privatization or modernization.

Beyond our broad concerns with privatization schemes, there are a number of conditions which militate in favor of modernization in this specific instance.

1. The consultants argue that to be effective, privatization of the laundries would have to be done all at once. On page 77 of their report, they state, “A gradual privatization...is not recommended since service levels would begin to deteriorate rapidly.” Thus, the State is faced with an “all or nothing” proposition.

2. Privatization of the laundries would require the abandonment of existing state facilities which are fully integrated into the infrastructure of two mental hospitals, Connecticut Valley Hospital and Norwich Hospital. This abandonment would constitute an indefensible waste of the State’s physical plant.

3. The limited modernization of the Regional Laundry Services’ base facilities is already underway. A pointed example is the recently completed asbestos removal project at Connecticut Valley Hospital. If the CVH laundry facility is abandoned, this cost will have been entirely wasted.

4. While modernization involves higher up-front costs, these would be retired over a five or six year period, leaving the State with high quality capital assets, completely under State control, and dedicated solely to meeting the State’s needs.

5. Both of the existing laundries are on State owned property, and receive State-supplied water, electricity, and steam, allowing for firm cost control once modernization is completed. This control contrasts starkly with the risk, identified by the consultants, “that prices do not remain constant” with privatization (p. 77).

5. The existing laundries have proven large enough to meet the State’s needs, and both are centrally located on major highways to facilitate distribution.

6. If desirable, a two-shift operation could readily be established at either or both locations by the exercise of contractually recognized management rights.

7. Finally, as in other instances, savings achieved by privatizing laundry services would likely result from the sub-standard wages and benefits paid to predominately minority and female private sector laundry workers. Public policy recognizes that the State does not ultimately benefit by sanctioning the exploitation of its residents.

In combination, these factors dictate a clear choice: we must invest to improve existing State facilities, maintain the current, professional State workforce, and provide taxpayers with guaranteed high quality and cost-effective service in the years to come.
KPMG Peat Marwick’s review of the Department of Agriculture is one of the best of the Commission’s reports. The consultants offer a sound plan for departmental reorganization which achieves modest budget reductions without reducing services to the farm community or consumers. We support the vast majority of the recommendations, and wish to offer only the following exception.

Recommendation: “Institute revised livestock damage requirements whereby local dog wardens perform the inspections for claims under $50.00 and the Department accept/reject the municipalities (sic) representations.” p. 15.

We oppose shifting responsibility for inspecting livestock damage claims under $50.00 from the State to Connecticut’s municipalities. The consultants have identified no savings to the State from this recommendation, and this mandate may well impose costs upon a number of Connecticut’s fiscally strapped cities and towns. In the end, this recommendation could marginally increase costs to many of Connecticut’s taxpayers.

Livestock damage claims under $50.00 are rare, and given the lack of savings to the state, the shifting of this burden to cities and towns would cause more problems than it solve.
Department of Correction

At the time the following remarks were drafted, the consultants' current document was their Fourth Status Briefing of November 19, 1990. The following comments respond to this briefing.

INMATE POPULATION AND FACILITIES

Recommendation: “Maintain the current average time served in confinement at approximately 9.1 months by (1) making inmates eligible for parole after serving 25 percent of their sentences, (2) intensifying supervision of parolees, and (3) intensifying programming for inmates while in prison” p. 23.

While intensifying prison programming, strengthening the Parole Board, adding more Parole Officers, and heightening the supervision of parolees may allow earlier release of inmates, we strongly question the consultants' assumptions of "no increase in the rate of admissions" and "no change in sentence length" (p.23).

It is certainly possible, if not probable, that the rise in the rate and absolute numbers of violent crimes requiring long-term incarceration will continue. It is also likely that the incidence of prisoner unrest requiring special facilities and staffing will continue to increase.

While we support programs consistent with the public safety which would accelerate inmates' rehabilitation and return to community life, we feel that a significant reduction in the projected need for cell space is unrealistic, and unjustified at this time.

In addition, we expect significant public opposition to the accelerated and increased release of parolees, and corresponding difficulties and delays in implementation.

STAFF DEPLOYMENT AND SCHEDULING, PP. 28-42.

The consultants propose a comprehensive overhaul of the Department's staffing levels and administrative procedures to remedy the Department's acute staffing shortfall.

We concur that current staffing levels are insufficient, leading to extensive overtime costs. Frequently, Corrections Officers are scheduled to work too many consecutive hours, which can impair their alertness. Both insufficient staffing levels and overextended staff schedules lead to increased injuries and further staff reductions, in a vicious circle.

However, we must register our objection to the establishment of a uniform work schedule and note that it is a mandatory subject of collective bargaining.

EMPLOYEE BENEFITS, P. 43-54.

The consultants make a series of sweeping recommendations to change and reduce current employee benefits. At this time, we wish only to register our strong objection to these changes, and note again that all the affected benefits are mandatory subjects of collective bargaining.

FOOD SERVICE DELIVERY SYSTEMS AND HEALTH SERVICES DELIVERY SYSTEM


These proposals, like many of the Commission's recommendations for privatization of State services, rest on the unsupported assertion that private administration is inherently more efficient than public administration.

The consultants offer no detailed data to support their claims that these services would improve under private management, and fail to adequately document the claimed cost savings.

On the contrary, the consultants' own analysis shows the current services to be relatively efficient. Data presented on p. 58 and p. 63 indicate that Connecticut inmate food service and health service costs are significantly below the average for the north-
eastern states surveyed.

The food service problems identified by the consultants (inadequate portion control, non-uniform food preparation, state purchasing problems, and lack of menu and inventory automation) could be addressed internally, achieving efficiencies while avoiding the potential shortcomings of contracting out.

The consultants offer no compelling reasons to suggest that inmate health services could not be similarly reformed.

Finally, any cost savings achieved by privatizing these services would likely result from the sub-standard wages and benefits which are common in the private food service and health service industries. It is well documented that private industry systematically underpays the predominately minority and female workforce in these fields. Public policy considerations weigh against saving personnel costs by sanctioning these discriminatory and exploitative labor practices.
We find the KPMG Peat Marwick study of the Department of Environmental Protection, along with the study of the Department of Agriculture which accompanies it, to be among the Commission's best.

On the whole, the study offers a sound plan for departmental reorganization which would improve efficiency and provide better and expanded service to Connecticut's citizens. We wish, however, to note the following areas of concern.

**Recommendation: “Increase Department staffing in key program areas to address current critical program mandates, reduce backlogs, and provide adequate service delivery levels.” (p.28)**

While we agree that there is a need for increases in staffing, the consultants fail to recognize the failure of the General Assembly and the Federal Government to provide sufficient funds to staff current programs.

**Recommendation: “Create a new position (hereafter called Permit coordinator) under the new Senior Operations Manager position to coordinate multiple permit projects, work involving reviews by other Bureaus, and scheduling/performance of high priority projects.” (p. 34)**

The consultants propose streamlining the permitting process in areas where DEP permitting has conflicted with the projects of other agencies, such as the Department of Transportation. In making this recommendation, they do not make note of the potential conflicts with federally and state mandated programs.
Department of Housing

Recommendation: "Establish a single entity with full authority to manage and control all housing programs in the state." p. III-4.

The consultants' proposal to reorganize state housing functions is similar to the plan firmly rejected by the Planning and Development Committee of the 1990 General Assembly. This plan, in effect, would have decertified existing collective bargaining units by transferring DOH functions to CHFA.

While it is reasonable to examine the overlapping functions of the Department of Housing, the Connecticut Housing Finance Authority (CHFA), and the Connecticut Housing Authority (CHA), the establishment of "a single entity with full authority" over the state's housing programs is neither wise nor viable.

The organizational problems involved with the creation of a single agency are not justified by the relatively small annual savings of $400,000. Moreover, when federal reimbursements and the semi-independent financing of existing housing agencies are taken into account, it is not at all clear that the entirety of any savings would accrue to the State's General Fund.

Recommendation: "Amend Sections 8-74 and 8-119cc of the General Statute which requires public hearings for affordable and moderate rental housing projects. In lieu of requiring public hearings, it is recommended that a public announcement be required...and that the public be given 30 days in which to respond. If there are no responses, there is assumed concurrence with the project." p. III-30.

By eliminating mandatory public hearings for affordable and moderate rental housing projects, this recommendation would significantly diminish public input into state housing policy.

The substitute requirement of a public announcement would leave the burden of monitoring the media and organizing appropriate input on these matters to the general public.

We feel strongly that the responsibility for organizing public input on the development of affordable and moderate rental housing must remain with the State, as the existing requirement intends.

Recommendation: "Replace state housing and community development funds with federal small cities grants." p. III-33, Rec. 4.2.5.3.

While new federal programs may offer limited opportunities for replacing of State grants, this recommendation entirely ignores the decade-long withdrawal of federal support for state and local housing programs.
Department of Income Maintenance

SSI STATE SUPPLEMENT PROGRAM, PP. V-10 -- V-13.

The Deloitte & Touche study of the Department of Income Maintenance suggests that the State examine the possibility of contracting with the federal Social Security Administration for free administration of its Aid to the Aged, Blind and Disabled (AABD or SSI State Supplement) program.

Citing the need for "further analysis", the consultants make "no formal recommendation at this time regarding federal takeover of SSI State Supplement administration."

We wish to echo the consultants' recommendation that further analysis is necessary before administration of the SSI State Supplement program is transferred to the federal government. Specifically:

1. The State must determine the exact net cost savings of such a transfer. As the consultants' note, the State must determine "whether the administrative cost savings of a transfer would be offset by increases in benefit payments attributable to the federal/State policy differences."

2. There must be a detailed determination of why twenty-five (25) states including Connecticut continue to administer their own SSI State Supplement programs, and forego the free program administration offered by the federal government.
Department of Mental Health

In their report on the Department of Mental Health (DMH), Deloitte & Touche make a number of recommendations which seek to reduce inpatient populations and increase utilization of alternative community placements.

We support the intent of these recommendations. Decreasing full-time institutionalization and increasing the scope of outpatient case management has been a goal of DMH for several years. Indeed, the Department has made major strides in this direction.

However, the consultants have oversimplified the problems inherent in the creation and maintenance of alternative placements. Among their oversights and misconclusions are the following:

1. Alternative placements for patients not in need of acute psychiatric care will not result in significant cost savings. The consultants overestimate savings and underestimate the costs of developing alternative placements.

In addition to their operating costs, alternative placements require a fully staffed case management operation. If the legislature approves these recommendations, it must be willing to commit the funds necessary to provide adequate placements, staffing and programming.

2. Severe budget restraints, hiring freezes and inadequate funding during the past few years have slowed the development of community-based programs. Hospital ward closings have resulted in premature transitions of patients into these programs. Often, these patients are readmitted, overcrowding other hospital wards.

3. The consultants’ observations and recommendations are inconsistent. In their introduction, Deloitte & Touche describe State Mental Hospitals as an “important form of treatment for some mentally ill persons” and as “an important employment source in the community where the hospital is located.” They also stress the value of having a treatment setting “in close proximity to the patient’s family” (p. 1-4). They then note that despite the significant cost of these hospitals, all of the above factors must be weighed in the decision to close a hospital. Despite this, they recommend closing a hospital.

We believe that the cost savings associated with hospital closings are false. The mentally retarded and traumatic brain injured patients in State mental hospitals require complex specialized treatment that will cost the State significant amounts of money no matter which agency delivers the treatment. Instead of closing state hospitals, the State should consider investing in the capital improvements they require.

Recommendation: “Opportunities associated with the closure of a State Mental Hospital” p. 1-49.

The consultants base their savings projections on the faulty premise that fixed costs render institutional care more expensive than community alternatives.

Because each of the state mental hospital campuses shares buildings with other state agencies and private providers, closing the DMH patient buildings would not dramatically reduce the fixed costs for a campus.

CVH houses a CADAC treatment facility, a correctional facility, a child care center, a community based treatment facility and a training facility; FFH grounds are shared with CADAC, DCYS, and private providers; and Norwich State Hospital shares its buildings with CADAC and private agencies.

The consultants also underestimate the difficulty and costs of the transition to alternative facilities. A patient moved to a new setting requires stronger case management. Therefore, more programs are needed to prepare patients for the transition and monitor progress. This requires intensive interaction between the new placement and the hospital.

Additionally, the consultants’ recommendations fail to understand the medical effects of closing in-patient facilities. Mental health professionals view hospital care as a part of a continuum of services. Many patients require hospitalization at various points in their lives, even if they live in the community most of the time.

In states where mental hospitals have been closed to save money, large numbers of patients have been released into the community without preparation. This has required increased spending at a later date. In any case, no fiscal savings can justify the human costs of abandoning mentally challenged citizens to rooming houses, homelessness and neglect.
The State should continue to maintain acute care hospitals on a smaller scale, as these inpatient facilities serve a vital mental health need in Connecticut. When necessary, hospitalization should be available close to the patient's home community.

Closing any of these hospitals would create a vacuum for patients in need, and create undue hardships for the patients' families, due to increased travelling distance.

Finally, the consultants underestimate the value of the highly skilled and trained staff of DMH. These professionals and para-professionals are a resource for the state. New England Health Care Employees, District 1199/SEIU and DMH have already implemented very successful Labor/Management initiatives to improve the morale and the delivery of care in state hospitals. As a result, patient and staff injuries are down, as are patient restraint hours.

Changes in DMH should include a commitment to working with the union to utilize existing personnel, who possess the necessary expertise, understanding, and experience to provide high quality care in both hospitals and alternative settings.


We strongly support the stricter control of DMH overtime costs. However, the consultants' arguments are based on several items of false information which we correct below.

1. The direct care staff of the DMH currently work a 37-1/2 hour week. Many nurses and doctors regularly work 40 hours.

2. Workers do not receive time-and-a-half for overtime until they work over 40 hours.

3. Work schedules and the work week are mandatory subjects for collective bargaining, and have long been a subject of negotiations between the State and District 1199.

The excessive overtime in DMH results not from the length of the work week but from understaffing. The total number of staff is less than the number needed to care for patients safely and adequately. The long and cumbersome hiring process needs to be streamlined to reduce overtime and maintain quality patient care.

Recommendation: "Reduction of selected Operating Expenses by privatizing selected Support Services" p. I-74.

The consultants' suggestion to put out RFP's for support services only assumes that the private sector can perform these tasks more cheaply. The consultants provide no evidence for this and do not provide an assessment of the costs of existing services. Moreover, they offer no assessment of the comparative quality of privately delivered services.

The Labor/Management committee should thoroughly examine support services to determine where improvements could be made, and to develop alternatives to privatization.
Department of Mental Retardation

Many of the consultants' recommendations reflect the goals set by the Department of Mental Retardation (DMR), and have our wholehearted support. These include procedural standardization, closer auditing and oversight, and enhanced procurement of federal funding.

However, we are troubled by the consultants' recommendations on employment issues, which seek to increase productivity at the expense of DMR workers' health and safety. The proposed staffing cuts will overburden this already understaffed department.


The state has been under a consent decree to phase down Mansfield Training School (MTS) for the last few years. The legislature's unwillingness to fund sufficient community placements has combined with executive mismanagement of department resources to complicate the phase down.

At present, MTS is not overstaffed. In fact, employees still work overtime. The Union and the new commissioner are working together on several redeployment projects to assure that MTS employees are utilized efficiently. We believe there may be a continued role for MTS in several areas:

1. MTS can provide placements for clients with severe behavioral problems, perhaps on a temporary basis. Clients behavior can be modified during the term of the placements.
2. Congregate housing with a certain number of units for people with disabilities could be set aside as community living arrangements for MTS clients and staff.
3. State workers based at MTS could be "outposted" in the private sector.
4. MTS employees could assist in respite care for families in need, either at MTS or in the families' homes.

The collective bargaining agreement in force recognizes MTS employees as a valuable resource necessary to meet the continuing needs of Connecticut's mentally retarded citizens. Any plans for the transformation or phase out of MTS should maintain this commitment to the facility's employees.

Recommendation: "Modify the method of funding and the content of case management to insure that DMR clients gain the best advantage of public funding" p. II-24.

We support the recommendation that caseloads be reduced. Case managers have been plagued by client ratios that far exceed those recommended by DMR. Some case managers hold responsibility for over eighty clients.

However, we recommend that any redefinition of job duties be developed by the Labor/Management Committee that has worked on case management issues for the last several years.

Recommendation: "Improve service delivery through the implementation of a Master Personnel Allocation Plan" p. II-33.

We support a systematic analysis and plan to meet staffing needs, but question some of the consultants' basic assumptions. The report recommends cutting vacant and "pseudo" positions. Such cuts will hinder the service delivery in a department already understaffed due to position cuts and early retirement.

The determination of adequate staffing levels should take place in the above cited Labor/Management Committee, which already considers staffing needs and gives input on personnel allocation.

In line with a new personnel allocation plan, the legislature should allocate funds sufficient to support the department's mission and avoid arbitrary position cuts.
Recommendation: “Reduce employee costs through minimizing worker’s compensation costs” p. II-37.

The most effective way to avoid workplace injuries is to make safety a top priority. Adequate training and attention to all aspects of safety can greatly reduce the number and severity of injuries.

At Norwich Hospital and CVH, the Department of Mental Health and New England Health Care Employees District 1199/SEIU have instituted a successful safety program that has saved the State millions of dollars in the last three years.

Prioritizing safety must begin with the Commissioner and top management. The Commissioners and managers must communicate this priority in every aspect of the Department’s operations.

Until recently, DMR had not consistently provided the mandatory twenty-one hours of safety training, nor made safety training an important part of their agenda.

A “blame the worker” approach will not reduce costs as it fails to prevent injuries. The Department must make injury prevention a top priority. DMR can also assist in minimizing post-traumatic stress syndrome by setting up a support system for injured employees.

The Department should also develop more light duty positions. New England Health Care Employees Union has negotiated for the existing twenty-five light duty positions state-wide. However, these positions are insufficient to accommodate the number of people who could return to work if there were some modifications in their jobs. The single largest complaint from injured workers is that while their physicians say that they can perform light duty (or work with some restrictions), the Department will not let them return to work unless they are able to do so without restrictions.

There is absolutely no evidence or research that shows excessive abuse of workers’ compensation. Instead of penalizing and blaming workers who have already suffered work-related injuries, the Department should adopt the DMH system in which each incident is thoroughly examined by the team of workers actually on the unit. This collaborative approach produces results unit-wide, as no incident of injury on the job passes without a group debriefing.

The original intent of the legislature in establishing 100% hazardous duty workers’ compensation was to recognize workers’ increased risk of injury in particular jobs, and provide them with adequate protection against devastating financial loss. The consultants are too quick to blame this special aspect of workers’ compensation for the program’s rising costs.

Recommendation: “Reduce employee costs through minimizing overtime costs” p. II-44.

We agree with the consultants that overtime is too high in DMR. These high overtime costs result from inadequate staffing. The Department does not employ an adequate number of workers to care for clients safely and properly maintain existing programs.

Working with mentally retarded clients is difficult, dangerous, and stressful. The work schedule, which has been in effect for years, has helped to retain employees under these trying conditions.

The work week and work schedules remain issues for collective bargaining. The 35 hour work week currently in effect has been reaffirmed by both fact finding and binding arbitration.

To reduce extensive overtime costs, we recommend the following measures:

1. Fill the existing positions necessary to provide services instead of covering the staff shortfall with overtime.

2. Implement better safety training to reduce the staff hours lost to injuries. This would reduce the numbers of individuals out on workers’ compensation.
Recommendation: "Reduce employee costs through minimizing overtime due to sick leave" p. II-50.

Sick time usage has long been a subject of Labor/Management negotiations in DMR. The consultants are correct that usage should be expected to be higher than average in DMR given the nature of the work. Presently the union contract for the professionals and paraprofessionals allows discipline for sick leave abuse. Abuse cannot, however, be defined by a purely statistical analysis.

Several years ago a University of Connecticut study of sick leave, commissioned by the Quality of Work Life, reported no significant patterns of abuse. It did, however, raise several issues that deserve attention. Specifically, it showed that the effects of stress, overtime, shift staffing and child care problems correlated with higher incidence of employee illness.

We reject the notion that disciplining employees for legitimate use of sick leave will produce any savings for the State. It will, however, damage Labor/Management relations and hurt employee morale.
Department of Motor Vehicles

The Price Waterhouse review of the Department of Motor Vehicles (DMV) is perhaps the most troubling of the studies produced by the Commission. In an attempt to achieve sweeping departmental reorganization and huge efficiencies, the consultants propose measures which would drastically cut public services.

The DMV's lack of accessibility is already the source of many public complaints, and neither the Department nor the public cannot afford such serious reductions in services. Given the steadily increasing demand for DMV services, the proposed reductions are particularly shortsighted. Any savings achieved by a current round of cuts is likely to be offset by greater costs in the near future.

Finally, the study is marred by glaring errors, such as the assumption of a twenty minute drive time from Middletown to Old Lyme. These errors reduce its overall credibility.

Recommendation: "Establish branch office registry staffing at standard productivity levels, and subsequently, in two phases, at higher productivity standards." p. 1-1.

"Establish central office staffing at standard productivity levels" p. 2-1.

The history of the DMV's operations suggests that the proposed standards are totally unrealistic. The associated recommendations to cut staff by 30 positions at branch offices and 31 positions at central offices would not result in efficiencies, but in outright reductions of services.

As noted above, the proposed cuts also fail to factor in the increasing demand for DMV services.

Recommendation: "Increase mail-in registration renewals and implement procedural changes." p. 4-1.

We agree that raising the mail-in registration rate is an admirable objective, but find once again that the consultants claim exaggerated opportunities for efficiencies and outright cost savings.

The consultants offer no compelling reason to believe that the closing of branch offices will necessarily or adequately contribute to the stated goal of raising the mail-in rate from 48% to 65%, and eventually to 80%.

The same holds for the proposed options that all registration renewals for boats and vessels be completed through the mail, and that a one dollar fee be charged for all renewals done in person.

Any serious proposal to increase the mail-in registration rate must take into account the new costs the state would incur to better inform motorists about the mail-in option, and provide detailed information and analysis about the percentage and types of transactions which require visiting a DMV office.

The consultants' inflated and unsubstantiated claims about the potential rate of mail-in registration warrant no reductions in staffing or facilities at this time.

Recommendation: "Privatize DMV vehicle safety inspection facilities." p. 6-1.

"Eliminate emissions field station DMV staff through privatizing most functions and centralizing station monitoring activities." p. 7-1.

The consultants recommend the wholesale privatization of these functions based on the unsupported assumption that private sector services are superior to publicly administered services. They offer no detailed discussion of the advantages and disadvantages of contracting out.

Neither Price Waterhouse nor the State, which has already considered hiring a private contractor to build and operate a set of safety inspection facilities, has explored alternatives to private contracts or made rigorous cost comparisons.
The proposed privatization of vehicle safety inspections and emissions inspections raises a number of serious concerns about the potential loss of quality control and the opportunity for vendor fraud and monopoly pricing.

The need for private vendors to make a profit creates a huge incentive to hire unskilled labor at sub-standard wages to perform low quality work. It is also likely that the State will inadvertently subsidize staff for these vendors to use in meeting their other business needs. Racial discrimination in the private sector also makes it likely that many of the career opportunities for minorities as State Inspectors will be lost.

Once a private vendor is selected for such a huge program, the competitive bid process will be void for all future intents and purposes. The State will be stuck paying the chosen vendor's fees, which may quickly rise over budget due to fraud or the effects of monopoly pricing.

We agree that the current vehicle inspection system is in need of restructuring, and suggest that DMV Safety Inspectors could be the key resource in this process. By upgrading the current system, the DMV can maintain direct control over the quality of its inspections.

After the system is appropriately streamlined, the inspectors could be transferred to other units to concentrate on priority safety and service programs such as MCSAP or Anti-Theft.

Placing the Vehicle Identification Number (VIN) verification program in the hands of a private contractor would invite gross abuse of the public trust. The importance of VIN verification to the prevention of auto theft and fraud make this program incredibly susceptible to criminal corruption. Without an expensive oversight program, no incentives the state can offer will be enough to deter misdeeds.

In sum, we contend that the abuses which the consultants currently note are likely to expand under privatization, and that many even more dangerous are likely unless an extensive and costly oversight program is instituted. If the consultants' recommendations were implemented, they would likely create far greater costs than the consultants assume, and undermine the quality of public service.

Finally, as the consultants acknowledge, they have not examined potential conflicts with federal programs and regulations, and any loss of funds that might result.

**Recommendation:** “Modify the DMV's capital program of branch office upgrading and replacement to reduce the number of branch offices from the current location configuration (18 branch offices plus 1 additional planned) to substantially fewer locations (8).” p. 8-1.

Contrary to the consultants' claims, the proposed reduction of branch offices from 18 to 8 would result in a massive reduction of services to Connecticut's motoring public.

Even if a number of the consultants' other recommendations were adopted, the number of DMV paper work transactions would remain the same, or increase along with demand for services. This would require near current staffing levels. In this case, fewer offices would inevitably mean larger offices.

By incorrectly projecting the DMV's needs for physical plant, the consultants risk incurring major future costs for the State. The timing of this recommendation is particularly inopportune, as the five year plan for DMV office replacements, financed through a $43 million bond authorization, is nearing completion.

Beyond their problems in projecting the DMV's physical plant, the consultants ignore the major policy consideration involved in the siting of current branch offices. These offices were planned for public convenience and easy access, and the reduction of sites directly counters that goal.

If the consultants plan is implemented, we project increased public waiting and travel time (up to 2 hours round trip) which would create severe access problems for a large segment of the motoring public including seniors, physically challenged citizens, and rural motorists.
Recommendation: "Extending branch office hours of operation through use of rotating employee shifts." p. 12-1.

We support the proposal to extend DMV branch office hours. At present, DMV branch offices are open to the public only 39 hours per week, and are entirely closed on Mondays.

However, the use of rotating shifts to achieve this goal is a mandatory subject for collective bargaining, and cannot be dictated by administrative fiat.
Department of Public Safety

At the time the following remarks were drafted, the consultants’ current document was their Fourth Status Briefing of November 19, 1990. The following comments respond to this briefing.

The Maximus report on the Department of Public Safety proposes a mix of measures addressing the scope of state service provision, the modernization of the department’s technical support systems, the operation of several specialized units, and the basic personnel policies affecting the State Police.

Many of the consultants’ recommendations proposing the modernization and automation of State Police functions are self-evident, and have been promoted by the State Police Union for many years.

Unfortunately, we are obliged to note the consultants’ total lack of communication with individual State Police officers and their union representatives. In developing a report which recommends such sweeping changes in personnel policy, it is particularly crucial to obtain input from the employees directly involved. These recommendations are all mandatory subjects of collective bargaining, and any consideration of them requires a serious dialogue with the State Police Union.

Moreover, by neglecting to confer with the Union, the consultants cut off a valuable source of ideas for reducing costs and improving services. In the past, the Department has profited greatly from Union-sponsored efficiency initiatives.

The most prominent example of this is the Union-led effort to reduce the Department’s health care costs. The Union developed a Stress Committee to identify and eliminate conditions causing injury and illness among State Troopers, and instituted a Wellness program to insure that Troopers have no undetected health risks. It also proposed the Light Duty program which returns injured officers to duty as soon as they are able, saving the State a considerable amount of overtime and Workers’ Compensation costs.

In the area of Public Safety, it is especially important to have employee cooperation in implementing existing policies and developing new programs, and to maintain a positive esprit de corps. By failing to engage employees in the development of these recommendations, Maximus has both overlooked key public safety concerns to which State Police could have alerted them, and threatened the positive labor relations climate which is vitally important.

While we can endorse some recommendations, like those to increase the number of functions staffed by civilian personnel and eliminate the backlog in entering court dispositions, the main personnel recommendations concern us greatly, and are addressed below.

RESIDENT TROOPER PROGRAM AND COST-SHARING ISSUES


The consultants’ recommendations to abandon the Resident Trooper Program involve no actual cost savings or improvements in the efficiency of public service. Rather, they represent a case of burden-shifting to the smaller rural towns that do not have their own professional police forces. While burden-shifting may reduce this line-item in the State’s General Fund budget, it will certainly result in increased grant requests from the affected municipalities, and increased property taxes for their residents.

The State’s interest in insuring the public safety of all its residents should be the overriding concern in this policy decision, and along with the questionable nature of the projected savings, this concern dictates the continuance of the program.

TECHNOLOGY AND AUTOMATION

Recommendation: “Provide Laptop Computers for Data Entry/Editing and Eliminate the Data Entry Positions.” p. 21

The consultants have likely underestimated the costs involved with fully implementing this recommendation. The seventy-five laptop computers recommended for purchase are insufficient to equip Troopers, Criminal Investigation staff, and Truck and Radar staff, given the twenty-four hour need for the computers and the requirement of extras in case of breakdown.
PERSONNEL POLICIES AND BENEFITS

Recommendation: “Return to a ‘5-2’ Schedule and Eliminate the Portal-to-Portal System.” p. 38

The changes recommended above challenge longstanding policies which have been included in each of the contracts between the State and the State Police union. In fact, the Portal-to-Portal system has been in place since before the unionization of the State Police. Both of these policies have been re-codified in the contract recently approved by the General Assembly’s Appropriations Committee. The earliest date to negotiate such changes without reopening the contract in force would be 1993.

In recommending a change from the current “5-3” work schedule to a “5-2” schedule, the consultants have considered only short-term goals of cost savings and workforce flexibility. The long-term effects of this change on achieving the optimum quantity and quality of police coverage, and the additional stress and health risks to Troopers on the new schedule have not been addressed.

The recommendation to eliminate the Portal-to-Portal system has been made without any serious consideration of the public safety issues involved.

State Police officers currently make arrests, issue citations, and render public assistance during their travel between the barracks and their homes. The officers are on-duty and performing work. Unfortunately, the SPRAMIS system does not make the extent and frequency of officer activity on-route readily available for analysis.

Taking officers off-duty during travel time would have significant public safety implications, and these must be carefully examined before this recommendation can be seriously considered. On principle, established public safety policies should not be reversed lightly, nor merely in order to address short-term budget problems.


Currently, all sworn personnel are on call at all times, and thus require the ability to use their police cruisers around the clock. In recommending the wholesale change of this system, the consultants have failed to calculate the deterrent effect of the off-shift use of police cruisers. More importantly, the consultants have not accurately represented the policies of other states in these matters. Thirty-seven of the forty-seven states studied either require, encourage, or allow police officers to engage in off-duty law enforcement at their discretion.

As above, this policy involves serious issues of public safety, and it should not be reversed in order to address temporary fiscal concerns.

Recommendation: “Require all applicants to have a high school diploma (or GED) and be at least 21 years old at time of application.” p. 44

We support this recommendation, and believe it is an important step to insure the professionalism, maturity, and high skill level of our State Police.

Recommendation: “Provide DIM With the Authority to Process Welfare Fraud Cases Up to $5,000.” p. 68.

While we agree with many of the consultants’ concerns about the current state of the Welfare Fraud Investigation Unit (WFIU), we contend that their recommended solution is highly unsuitable.

In 1986, State Police sergeants were assigned to the WFIU as field supervisors. Unfortunately, due to their work assignments, these supervisors have been transient and ineffective. By the time they become familiar with the investigation of public assistance fraud and the rules and regulations of the Department of Income Maintenance (DIM), they are reassigned elsewhere.

The results of this supervisory scheme are plainly visible. Since coming under State Police supervision, the unit has steadily and markedly deteriorated.

Beginning in 1987, after a year of increased supervision and a reduction in the number of Enforcement Officers, all indicators of performance, including arrests and court orders for restitution, showed an extreme decline. In the 1986-87 fiscal year, court ordered restitution to the to the state totalled almost $4,000,000. In the 1988-89 fiscal year it totalled only $700,000.
By March 1988, the WFIU had a backlog of over five thousand cases representing over thirty million dollars in identified fraud. Since then, the number of Enforcement Officers has been reduced by more than one-third, and the available work week for the remaining Enforcement Officers has been reduced from forty hours to thirty-five. This policy is especially peculiar given that federal reimbursements cover 75% of operating costs.

The decline of the WFIU has resulted in the annual loss to the State of millions of dollars in potential court ordered recoveries for welfare fraud, additional losses due to the lack of a forceful deterrent effect upon future frauds, and further losses from the DIM's inability to discontinue benefits to recipients convicted of fraud. Undoubtedly, the unit cannot continue to operate in its current manner.

However, transferring responsibility for all cases of welfare fraud under $5,000 to DIM, and effectively decriminalizing them, does not provide an appropriate alternative.

Under the current process of civil recoupment, the state has two options in dealing with an individual suspected of welfare fraud under $5,000.

1. The Department of Income Maintenance may pursue administrative hearings to recoup the money from the recipient's award, but only if the individual is still receiving state aid.

2. The Attorney General may initiate a civil action to recover the money. Unfortunately, even if the suit is successful, there will likely be no homes, cars, or wages to attach.

In contrast, the criminal sanctions for welfare fraud bring additional deterrents and dollar savings through a schedule of progressive disqualification for benefits.

Moreover, criminal court orders to make restitution for welfare fraud have already withstood challenge in bankruptcy proceedings, where they have been found to be enforceable. Under the proposed system, individuals accused of fraud under $5000 could simply declare bankruptcy and thus avoid civil proceedings.

Given the history of the WFIU's shortcomings, and the demonstrated weaknesses of relying solely upon civil recoupment procedures to address cases of welfare fraud up to $5,000, we wish to offer the following alternatives to the consultants' proposals:

1. Remove WFIU and its Enforcement Officers from the Division of State Police and merge it with the Medicaid Fraud Unit in the Division of Criminal Justice.

2. Remove WFIU and its Enforcement Officers from the Division of State Police and merge them with the Office of the Attorney General.

3. Remove WFIU and its Enforcement Officers from the Division of State Police and appoint supervisors who will be able to maintain program quality and continuity.

Finally, we wish to note that the consultants' proposal has been previously considered by the State Legislature, and rejected as financially ineffective and counter to existing public policy.
DEPARTMENT OF PUBLIC SAFETY - WELFARE FRAUD UNIT

CURRENT STATUS

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<td>50-75% Federal Reimbursement (62.5% average)</td>
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<td>ACTUAL COST TO STATE</td>
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Monies collected by Welfare Fraud Unit $4,304,288.00
Actual cost to State $467,338.00
NET REVENUE TO STATE $3,836,950.00

*Assumes a twenty-one person unit

IF CONSULTANTS' PLAN IS IMPLEMENTED

POTENTIAL MONIES LOST IF PLAN IS IMPLEMENTED $4,304,288.00

Prior cost to State $467,338.00
Continuing cost to State if plan is implemented - 226,244.00**
COST SAVINGS TO STATE $241,094.00

Potential monies lost $4,304,288.00
Cost savings - 241,094.00
POTENTIAL REVENUE LOST IF PLAN IS IMPLEMENTED $4,063,194.00

**Full cost of command cadre assigned to other duties now borne by the State, with no federal reimbursement.
Department of Public Works

At the time the following remarks were drafted, the consultants’ current document was their Fourth Status Briefing of November 19, 1990. The following comments respond to this briefing.

CUSTODIAL SERVICES


The consultants’ recommendation to privatize custodial and maintenance services for all State buildings in the Hartford area rests entirely on cost concerns. In their review, the consultants fail to assess the comparative quality of private services or to examine alternatives to contracting out.

We argue that these lapses in the consultants’ analysis are sufficient to support the continuation of the current, in-house custodial and maintenance services.

Many of the consultants’ own observations highlight their failings. Among these are the following:

1. On p. 37, the consultants note that “THERE ARE NO STATEWIDE CUSTODIAL STANDARDS”. We submit that custodial standards must first be developed so that current performance can be measured against them. If there are no standards in place, we cannot responsibly choose to replace the current custodial service, and to dislocate State employees whose work has been characterized by Department administrators as “outstanding” (see letter quoted below).

2. On p. 36, the consultants state that “CONTRACTOR-PROVIDED CUSTODIAL SERVICES ARE PROBABLY MORE EFFECTIVE”. The assessment that private services are probably more effective is entirely inadequate to justify the replacement of the current custodial and maintenance services.

3. On p. 37, the consultants observe that “DPW-STAFFED CUSTODIAL SERVICES ARE PROVIDED DURING THE DAY, WHEN OTHER STATE EMPLOYEES ARE WORKING,” and go on to observe that “A Shift to Night Time Work by DPW Staff Would Raise Salary and Supervisory Costs”. They contend that this work schedule hinders efficient service delivery.

While custodians and maintenance staff on night time schedules do receive a small shift differential of $.65 per hour, the assignment of work schedules for this unit rests entirely in the hands of management.

4. On p. 36, the consultants recognize that “BUDGET CUTS HAVE FORCED DPW NOT TO FILL VACANT CUSTODIAL POSITIONS”. Indeed, the understaffing of the DPW Facilities Management Division is a clear and remediable impediment to achieving higher productivity.

However, despite low staffing levels, state employees have provided a high caliber of service. In a letter of November 7, 1990 to Steven Perruccio, President of the Connecticut Employees Union Independent, Joseph Patterson, Chief Administrative Officer for DPW wrote:

I know you are aware the current hiring freeze has resulted in over sixty vacancies in our Facilities Management Division. Most of these vacancies involve custodial staff...

Our Commissioner is proud of the outstanding work accomplished by our custodial and maintenance employees. The buildings have never been in such good condition and I know they are doing it under-staffed and with minimal resources.

It is entirely reasonable to suppose that with proper staffing, the custodial staff could provide even better cleaning and maintenance services, and achieve increased productivity.

In conclusion, while the consultants assert that privatization of custodial services would achieve cost savings, they make no case that these services would improve under private management. Instead, their observations suggest that any deficiencies in the current, high quality custodial services could be remedied by better management and adequate staffing.

These observations, combined with the fact that any cost savings are likely to come from the sub-standard wages and benefits paid to custodial workers in the private sector, strongly suggest that privatization of these services is unadvisable.
Department of Transportation

The Ernst & Young study of the Department of Transportation (DOT) duplicates the general approach and many of the specific recommendations made by past organizational studies of the DOT. Both the Etherington Commission and the Jorgenson Survey sought similar opportunities for consolidation and reduction of the DOT's staff and facilities.

In particular, the Jorgenson Survey recommended significant reductions in the number of garages, dump trucks, and maintenance personnel, along with restructuring of District level management and field supervision.

As a result the Department was down-sized and reorganized, but its staffing and equipment were never reduced below the "intermediate" levels defined by the survey.

In 1982, the DOT initiated its own attempts at down-sizing and consolidation. The Brookfield Repair Garage and stock-room was closed for six months, repair operations were shifted to Waterbury Repair, and the Department attempted to manage the additional workload by implementing a second shift.

Increased travel distances, excessive response time, and the unavailability of repair parts from vendors at night all contributed to the abandonment of the plan. To restore service to acceptable levels, the DOT returned to its prior mode of operation.

In our opinion, the current recommendations are likely to repeat the troubled history of these prior attempts to consolidate and reduce DOT's operations.

PURCHASING OF SERVICE AND MATERIALS


The consultants' own caveats and qualifications are enough to shed grave doubt on this recommendation.

As they state on p. II-12, it is possible that “some parts of the state may not be served by oil companies, which would necessitate the maintenance of at least some state refueling sites.”

The consultants also note "the need for 24-hour access to fuel during snow storms," and ask "whether major fuel companies would offer this service and at what cost."

These two problems alone dramatically limit the potential of this recommendation.

Recommendation II.11: “Reduce the Inventory of Parts Kept at Each Repair Garage” p. II-14.

The consultants advocate the reduction of parts inventories based on the construction of a new DOT warehouse and the possibility of reducing the number of repair garages.

In light of the negative consequences experienced with the closing of the Brookfield Repair Garage, we suggest extreme caution and restraint in considering this recommendation.

Unless and until the proposed inventory management system and equipment management information system are successfully implemented, we believe the reduction of parts inventories would be premature, and create the potential for severe disruptions in service.

EQUIPMENT AND FACILITIES

Recommendation IV.4: “Reduce the Number of Mechanics” p. IV-10.

Once again, the consultants introduce a caveat so serious that it makes their recommendation untenable.

On p. IV-10, they state that "To accurately determine the proper number and deployment of mechanics requires considerable information on maintenance needs by vehicle and equipment class."

They assert that this information can be gathered by the planned fleet assessment, and go on to declare that "In the mean-
time, the pool of fleet mechanics is one place ConnDOT could look to make the personnel reductions mandated by the legislature and avoid significant adverse effects on its operations."

Given Connecticut’s past experience, the consultants’ “experience with other comparable fleets,” is not sufficient reason to justify a 20% reduction in DOT’s mechanic pool. At least until the proposed fleet assessment is completed, such drastic staff reductions would be premature and potentially devastating.

ORGANIZATION AND PERSONNEL MANAGEMENT


In their final recommendation, the consultants vastly overstep their jurisdiction to issue a broadside against the State’s civil service, collective bargaining, and personnel administration systems.

We must register our objection to this abuse of process. The Commission would be better served if its consultants offered more active counsel on the use of management prerogatives within the existing systems of civil service and collective bargaining.
Division of Criminal Justice

ROLES OF INSPECTORS, CASE COORDINATORS

Recommendation: "Reclassify Inspectors Positions, Delete Others" pp. 161-166.

The Maximus Final Report on the Division of Criminal Justice, like the previous "Status Briefings", recommends the reclassification downward of the Division's inspector positions, and estimates cost savings based on a salary comparison with case coordinators.

Unlike the previous briefings, the Final Report does not justify this comparison by fully stating the case that inspectors and case coordinators are interchangeable. Nor does the Final Report clearly state the consultants' assumption that inspectors' investigative functions will be replaced by State and municipal police. These crucial premises of the consultants' recommendations are left implicit.

We disagree with the consultants' supposition that inspectors and case coordinators are exchangeable, and find questionable their assumption that the Department of Public Safety and municipal police departments, at their own cost, will train State and municipal police to replace the inspectors' investigative functions.

In advocating the restriction of inspectors' investigative and pre-arrest duties, the consultants fail to note the accumulated knowledge and contacts that inspectors cannot simply transfer to personnel in other jurisdictions.

In addition, the consultants disregard the efficiencies and cost savings achieved by the inspectors' thorough preparation of the State's cases against offenders. The investigators' specialized pre-trial work clears court dockets, saves expanded court costs, and develops information about offenders at higher levels of the drug trade and other organized criminal activity.

Finally, the consultants seem unaware that under the Objective Job Evaluation System, their proposals will not produce a lower paid classification for the employees in question. If current experience and training requirements are retained, the removal of inspectors' police powers will merely limit their ability to investigate and curtail criminal activity.
A Management Review of Connecticut's Public Colleges and Universities

MGT of America's recommendations for Connecticut's public colleges and universities would have gravely detrimental effects on the state's thousands of post-secondary students. The consultants' proposals would achieve cost savings only by dramatically denying public access to the State's institutions of higher education.

While the consultants praise the current levels of matriculation and graduation in the Connecticut's higher education system, and even call for continuing these high levels of public education to spur the state's economic growth (pg.20), their recommendations cut at the very heart of that goal.

By proposing sharp reductions in services and harsh impediments to public access, the consultants' plans undermine the fundamental mission of Connecticut's public institutions of higher education -- to provide affordable higher education opportunities to those who need them the most. Among the proposed cuts and impediments are: dropping approximately 2000 students from the state's community college rolls, raising tuition by 38% at the community colleges and by almost 12% at the state university system, mandating summer school attendance, and removing important student support services.

We strongly oppose the reduction of public access to higher education and the recommendation to consolidate the community and technical colleges in the state. Below we address the most damaging recommendations of the study:

ROLE OF THE INDEPENDENT SECTOR

Recommendation: "To the extent that it is cost-effective to do so, the state should expand its student financial aid and establish other programs to fully utilize the capacity of the state's independent institutions."

The consultants claim cost savings based on the assumption that the State could save approximately $3,500 per student by steering a certain number of students into the private sector (Appendix B, Exhibit 2). In other words the State could save money if it cut 2100 students from its rolls. This proposal to dissuade students from attending public institutions contradicts a primary goal of state-funded higher education: to provide students with the most cost-effective education possible.

At a time when a declining percentage of state revenues goes to public higher education, a recommendation to utilize state funds for the private sector is inappropriate. The percentage of state funds going to higher education dropped from 6.5% to 5.7% of the general fund in the period between 1988 and 1990. This reduction contrasts with the national average where 10.5% of general fund revenue supports higher education.

In order to maintain and extend access to quality higher education, Connecticut needs to provide more support to its public colleges and universities, not further subsidize the state's private schools.

INSTITUTIONAL CONSOLIDATION & CENTRAL NAUGATUCK CENTER

Recommendation: "The state's 12 community colleges and the five technical colleges should be merged into six comprehensive community colleges. Each community college should be assigned a specific geographical service area and permitted to operate out of multiple sites within its assigned service area. An example of potential consolidation structure is presented in Appendix A, Exhibit 21."

We strongly oppose the proposed merger of the State's community and technical colleges. By merging the two year colleges into consolidated units, the state would be limiting access to those students least able to afford an education.

The consultants claim significant cost savings based on the assumption that the average cost per student at Mattatuck and Manchester Community Colleges could be maintained at the new consolidated community and technical colleges. This assumption is clearly erroneous.

In order to preserve current and adequate levels of access, essential student services and education programs must be maintained at each educational facility, administrative consolidation notwithstanding.

We can construct a troubling example of the effects of college consolidation by examining the consultants' proposed
Service Area 2 (Appendix a Exhibit 21). This service area includes Middlesex Community College in Middletown, Mohegan Community College in Norwich, Thames Valley State Technical School in New London and Quinebaug Valley Community College in Danielson.

If the costs at this new combined school were to match that of the model school at Manchester, we must assume there would be only one full-service library, one registration office, and one financial aid department. We must assume that students would have to travel across the vast service area (e.g. over 60 miles from Quinebaug to Middlesex) to utilize these common services.

Such a reduction in facilities and such expanded travel burdens would greatly reduce student access to the State's community and technical colleges.

We should note that merging two-year colleges was recently tried in the Capitol Region Community College District and proved unsuccessful.

In response to ongoing legislative concerns for the system's efficiency, the Board of Trustees for Regional Community Colleges established the Capitol Region Community College District in 1985. The District was made up of Asnuntuck, Greater Hartford, and Tunxis Community Colleges.

The faculty and staff of the three colleges demonstrated to the state legislature in 1989 that the centralization of decision making and other functions only added unnecessary time delays, stifled local autonomy and productivity, and saved no money for the system. The North Central Connecticut Chamber of Commerce agreed, and officially supported the district's breakup. Growing pressure at the legislature forced the Board of Trustees to dissolve the experiment.

Eight months later, the Hartford Courant (2/11/90) reported that enrollment at the three colleges was up, morale had improved, and new program and curriculum development for students had resumed. State Representative Bill Kiner summed up the effects of dissolving the district: "The whole idea behind the breakup of the district was to provide education tailored to the region. In a word, it's been excellent."

TUITION REVENUE

Recommendation: "New tuition and fee levels should be approximately the same as the regional average (without Vermont) for public 2-year institutions." pg. 53.

The consultant proposes raising tuition almost 40% for community college students. This recommendation would drastically limit low-income people's hard-won access to higher education.

Tuition and fees for community colleges are currently $934 per term, which is already more than many urban and poor students can afford, even with available financial aid. Total federal support for student financial aid has decreased almost 20% since 1981, and yet needy Connecticut college students still must depend on federal sources for 80% of their aid. The State's major financial support for disadvantaged students has been the subsidy of comparatively low tuition rates for all students.

The Commission should note that the current community college tuition figure is deceptively low. It does not take into account the hidden costs of a community college education: commuting costs, books, supplies, and day care (70% of all community college students are women; the average age is 30). When these costs are factored in, the total is equal to the cost of attending U Conn, including room and board.

These costs are already prohibitively high, and are growing fast enough to significantly limit access. Without a comparable shock in tuition rates, college costs rose 50% over the three year period of 1983-86. Meanwhile, as the African-American and Latino populations in Connecticut are increasing, the rate of minority students who enroll and stay in the state's universities is decreasing (Governor's Task Force on Financial Aid, 1/87; Investing in Connecticut's Future).

The consultants' parallel recommendation to increase tuition at the state universities by 12% would also be damaging to affected students. Both of the proposed tuition increases would occur at a time when students and their families can least afford them.
COORDINATION OF LABOR RELATIONS

Many of the consultants' proposals for changes in labor relations are answered elsewhere in this report.

One particularly unworkable idea proposed here is to tie "productivity" to teachers' salary and benefit improvements. The consultants fail to suggest any realistic measures of teacher productivity.

The most likely measure, that of the number of students or classes taught, conflicts with other sound educational practices. Student/teacher ratios are directly tied to the quality of education. Larger classes mean less personal time a professor can spend with individual students. Especially in the community college environment where extensive remedial work is often required, "productivity" is not a relevant term.

MORE EVEN DISTRIBUTION OF ENROLLMENTS AMONG THE THREE TERMS (INCREASE SUMMER SCHOOL ENROLLMENTS)

Recommendation: "The public community colleges and public universities should each establish a goal of summer school Full Time Enrollments, FTE, equal to 45 percent of fall enrollments." pg. 71

The consultants' recommendation that colleges increase their summer enrollments fails to factor in the cost of increasing summer operations, both in terms of facilities upkeep and personnel costs.

If the colleges are to be fully utilized during the summer, buildings must be maintained, counselors must be employed, and libraries must remain open at full-service levels. Current cutbacks in staff have decreased the level of services during even the fall and spring terms. The consultant does not address the existing deficiencies, but we must assume that increased summer usage would cause additional costs to the state.

For the many students in financial need, summer-term off is the sole time to earn and save the quantity of money necessary to finance their college education. The consultants have not adequately addressed this consideration.

When Connecticut's most elite private university, Yale, attempted to mandate summer sessions, the policy was rescinded due to intense opposition from students and their families. We predict that citizen opposition to such a mandate for the State's public colleges and universities will be far fiercer.
The University of Connecticut Health Center

The KPMG Peat Marwick study of the University of Connecticut Health Center offers recommendations on a wide range of issues, including the management and divestment of Center facilities, the establishment of tuition levels for the Center’s medical and dental schools, the revision of selected personnel policies, and the adoption of a new governance structure for the Center.

Two of the consultants’ recommendations would significantly curtail the provision of public services and limit the accessibility of public institutions. We find that the proposals to divest Uncas on Thames Hospital and to raise tuition levels for the State’s medical and dental schools are particularly damaging to the welfare of Connecticut’s citizens.


The consultants recommend divesting Uncas on Thames Hospital, claiming that “it is a net loss to the State...,” suggesting that its “viable services be transferred to the private sector...,” and asserting that one-time revenues from the sale of assets, savings of planned capital expenditures, and significant annual savings would accrue to the State.

We maintain that divesting Uncas would threaten the loss of vital services to the senior citizens of eastern Connecticut, result in considerable State expenditures to provide comparable services, and account for very little annual savings.

Uncas on Thames Hospital provides a set of unique and crucial services as the main long term care facility in eastern Connecticut. It is the sole specialized care provider for older people suffering from chronic illnesses and ailments including: patients with multiple diseases who are not yet ready for convalescent homes; patients with Alzheimer’s Disease and their families; and terminally ill patients. Among facilities in the region, Uncas alone allows elderly patients under long-term care to remain as functional as their illnesses allow.

The growth of Connecticut’s senior population, along with medical advances in the treatment of acute illness, will increase the need for these services for the foreseeable future. This fact alone seriously questions the wisdom of the consultants’ proposal.

The question of divesting or closing Uncas is not new, but was first raised in the early 1980’s. The decision to keep Uncas open was made for the very reasons cited above.

In 1984, the responsibility for Uncas was transferred to the University of Connecticut Health Center, and it has become an integral part of the Health Center’s broad service to the State. Under the Health Center’s governance, Uncas has provided programs of clinical care, research, and education, specializing in chronic disease management, Alzheimer’s Disease, geriatric evaluation and assessment, and institutional hospice and respite.

There is no way to attach an exact dollar figure to the health services Uncas currently provides. As the report properly states Uncas has acquired a “reputation for providing quality patient care” and “the level of community support remains high”. In the absence of a detailed plan for alternative service provision, divestment of Uncas would represent a total disregard for the health care needs of southeastern Connecticut.

Beyond our concern for maintaining the quality and availability of the health services Uncas provides, we are firmly convinced that the consultants’ financial rationale for divesting Uncas is open to challenge.

In support of our conviction, we present the following observations:

1. The consultants fail to seriously examine and predict the availability and additional cost of continuing services to patients who will be displaced, and where and how the Health Center will be able to continue its academic programs which are currently based at Uncas. In light of the growing need for these services, this lapse is particularly troubling.

2. The report suggests that the $13.9 million dollars planned for capital investments could be “saved” by not following through with the project underway. It is troubling that the report fails to even mention how revenues, and thus future profitability, would be affected by this investment were it to take place.

The report itself states that “usable beds” are being utilized efficiently, and that the high occupancy rate “is indicative of Uncas’ reputation for providing quality patient care despite the constraints of its present facilities.” This strongly suggests that the
Uncas' reputation for providing quality patient care despite the constraints of its present facilities." This strongly suggests that the capital expenditure program currently underway will be profitable over the medium and long term.

The Health Center administration has recommended that a panel consisting of representatives from the Health Center, the community, the legislature and executive branches of government be convened to develop a plan that permits self-liquidation of the required capital improvement. We support this recommendation, and feel it offers the best possibility of achieving the desired savings without reducing service to the public.

3. The report's Table 4 and Table 5 (pp. 7 - 8 ) are highly misleading in suggesting that Uncas has run significant operating deficits in the past two years.

According to the consultants, on p. 11, "In 1989, its (Uncas') revenues of $6.89 million exceeded its General Fund appropriation by almost $1 million." In 1990, the apparent deficit is generated largely by the inclusion of $1.6 million dollars of capital expenditures in the compilation of Uncas' expenses.

Standard accounting practices would never list the full value of a capital investment as an expense in a single year, just as one time receipts from the sale of capital assets would not be reflected directly as revenues in an institution's yearly General Fund budget.

4. Even the questionable "losses" identified by the consultants are relatively small, and have been trimmed back progressively since Uncas taken over by the UCHC. The projected "loss" for 1991 is only $100,000 out of a budget of $8.8 million. Rather than identifying Uncas as a source of significant "losses", these figures suggest that the facility is very close to breaking even. Except for a vague reference to "potential termination or transfer pay to employees, real estate studies..., broker fees and legal expenses," the consultants fail to take into consideration what the costs of divestment would be.

5. The report fails to adequately account for the number of important but financially unrecorded services and external benefits that Uncas provides, such as its role as a key teaching and research facility. If Uncas were to be sold, these benefits would be available to the State only at a price from the new private owners. It is likely, therefore, that the annual loss from divestment would far exceed the $100,000 "loss" that the report projects for 1991.

Recommendation: "ADOPT MORE APPROPRIATE TUITION LEVELS", p. 2, transmittal letter; "We recommend that the Schools of Medicine and Dental Medicine aggressively increase tuition over the next several years until their resident tuition is set at the 90th to 95th percentile and their non-resident tuition is set at the 99th percentile, or until such time as the yield of their accepted to enrolled students shows a precipitous drop which is evidence that the maximum tuition is attained." p. 60.

The consultants' recommendation to "adopt more appropriate tuition levels" is in fact a recommendation to increase tuition to levels matching the highest in the nation.

We contend that this recommendation contradicts the State's longstanding public policy to keep all levels of its public education system affordable. Especially in the current economic downturn, an increase in tuition levels may make medical and dental schools entirely inaccessible to students from working and middle class families.

The consultants' recommendation is based on their analysis of medical and dental education as luxury goods for which the highest possible price should be extracted on the market. As they state on p. 2 of their transmittal letter, "Both schools have quality products for which they have continued to charge commodity prices."

We submit that public education should not be treated as a luxury good, or even as a market commodity, but as a public good, which should be made available as widely as possible. Education, like health care, is a good whose optimal provision cannot be achieved by market forces.

The market's failure to distribute education in a manner commensurate with the public welfare is exactly what requires the existence of a full-service public education system. The clear mission of the system is to subsidize and insure access to education beyond the degree that the market can provide. The success of this mission is critical to maintain the skilled workforce and large pool of trained professionals which are one of our State's greatest strengths.

Indeed, the current availability of high quality, low cost medical and dental education is a significant reason for the high ratio of doctors to residents in our state, and the corresponding availability of quality health care.
It is equally important that education be made available in a manner which promotes equal opportunity for all of Connecticut's citizens. Raising tuition according to the logic outlined by the consultants directly undercut this vital policy goal.

In sum, public education, which exists specifically to remedy the failings of the market, should not be distributed according to market criteria. The reversal of longstanding criteria for the provision of public education is unjustifiable given the modest projected revenue increase of $600,000 annually.

Commission members, legislators and the general public must understand that this recommendation does nothing to improve the “efficiency” of State government, but will only serve to restrict working and middle class people’s access to public institutions.

**Recommendation:** “We recommend that Dempsey reduce its reliance on agency nurses by converting these positions to hospital positions.” p. 37 and pp. 32 - 37.

We strongly endorse the consultants’ recommendation to decrease John Dempsey Hospital’s reliance on private nursing pools, and recommit itself to the hiring and development of adequate numbers of professional staff.

The current study acknowledges the high quality and productivity of staff nursing services, rating their performance at between 102% and 112% of productivity standards. These measures confirm the long term contention that nursing at Dempsey has been conservatively staffed.

During the peak of the nursing shortage, utilization of private nursing pools increased dramatically to supplement staff services. Since that time, however, John Dempsey Hospital has needlessly continued the practice.

The Governor’s Task Force on the Nursing Shortage highlights a number of factors that should be considered in support of this recommendation. Private nursing pools are unregulated and, as such, can raise salaries and rates at any time, subjecting the state to exorbitant expenditures beyond projected budgets. Moreover, nursing agencies often engage in cost-escalating practices similar to those which plague many privatization efforts. These agencies recruit staff nurses from hospitals or nursing homes and then hire them out to the same institutions as per diem nurses, for higher rates.

Finally, reliance on private nursing pools has compromised the quality of patient care due to the lack of control over the quality of agency staff, and disruptions in the continuity of care for many Dempsey patients.

The implementation of this recommendation would both save money for the State and improve the quality of patient care.

**Recommendation:** “A separate Board of Trustees should be established for UCHC.” pp. 69 - 70

The University of Connecticut Health Center is an organizational unit of the University of Connecticut. It currently falls under the purview of the Health Affairs Committee of the University of Connecticut’s Board of Trustees.

In the current study, KPMG Peat Marwick recommends a separate Board of Trustees for the University of Connecticut Health Center because the current structure “has the potential to provide too limited an oversight of management activities and center performance.”

They recommend that “the UCHC Board should overlap with the membership of the Board of Trustees of the University of Connecticut,…but remain independent in most decision making authority.” The membership of the new UCHC Board would “presumably include the Health Affairs Committee,” and be expanded to include “business leaders, higher education professionals, community leaders and health care professionals.”

On this important issue, the current report by KPMG Peat Marwick, and the report by MGT of America, Inc. on the State’s Higher Education System are potentially in conflict.

The MGT of America, Inc. report on higher education never mentions the governance of the Health Center, or references the Health Center recommendations by Peat Marwick. One may assume that under any proposal, a UCHC Board would continue to be integrated with the University’s Board of Trustees. However, in the absence of any coordination between the two reports, the proposal for a separate UCHC Board cannot be responsibly addressed.