



Office of Program Policy Analysis And Government Accountability



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October 1997

Follow-Up Report on the Department of Children and Families¹ Pilot Project for Productivity

Abstract

- The pilot project gave the Department of Children and Families' service districts limited authority to transfer funds between budget categories and entities and to pool salary rate for district staff.
- This increased flexibility reduced processing time for budget transfers and enhanced district ability to remain within budget.
- Districts did not appear to use their transfer authority in a manner that adversely affected clients.
- Although districts have retained their authority to transfer funds between budget categories and entities, the Legislature did not extend the pilot project to continue their authority to pool salary rate.
- The issue of providing the Department greater budget flexibility is likely to reemerge when it submits its proposed performance-based program budget during the 1998 Legislative Session.

Purpose

In accordance with s. 11.45(7)(f), F.S., this follow-up report informs the Legislature of actions taken by the Department of Children and Families in response to our Report No. 95-21. This report presents our assessment of the extent to which the Department has addressed the findings and recommendations included in our report.

Background

In 1992, The Legislature created a pilot project giving the Department of Children and Families increased budget and personnel flexibility from July 1, 1992, to June 30, 1995. The purpose of the project was to determine whether providing agencies budget flexibility would facilitate their ability to transfer funds between budget entities when necessary to avoid deficits or improve service delivery. The pilot project enabled the Department to:

- Transfer between appropriation categories and budget entities the greater of \$250,000 or 5% of the amount appropriated for each category or entity;
- Use 20% of its unobligated appropriations for granting non-recurring salary bonuses; purchasing productivity enhancing technology; or supporting community service initiatives; and
- Establish a salary rate pool for district service entities.

At the end of the first year of the project, the Department changed the pilot project. It authorized District Administrators to transfer up to 10% of their district budgets between budget categories and entities and required them to exhaust the 10% authority before using the 5% authority granted by the pilot project. The 10% transfer authority is authorized by s. 20.19(10), F.S., but the Department had not previously exercised this authority.

As required by the Legislature, the Department contracted for an evaluation of the project and OPPAGA cooperated in the design and monitoring of the evaluation. The purpose of the evaluation was to determine whether the increased budget and personnel flexibility (1) reduced the time needed to process

¹ Formerly the Department of Health and Rehabilitative Services.

transfers, (2) enhanced districts' ability to remain within their budgets, and (3) did not negatively affect clients.

Prior Findings

Both the consultant and OPPAGA found that the budget flexibility provided by the pilot project decreased the calendar time needed to process budget transfers. However, processing time could have been further reduced if the budget actions had not gone through two layers of review: one by the Department's central office and one by the Governor's Office. If the reviews had been conducted simultaneously or one layer eliminated, the processing time for budget actions could have been reduced by one-third to one-half.

The increased budget flexibility also helped to improve districts' incentive and ability to operate within their budgets. According to Department administrators, prior to the project, some districts routinely incurred high budget deficits. Although most districts still had budget deficits in the last year of the project, the deficits were much lower and generally represented less than 1% of district operating budgets. In addition, by using their salary rate flexibility, most districts were able to reduce their salary rate surpluses without incurring rate deficits. In the last year of the project, 3 of the 15 districts had rate deficits, and these deficits amounted to 0.33% or less of their approved rate.

The increased budget flexibility appeared to have little negative effect on clients for three reasons:

- The total amount transferred was small, comprising less than 1% of the funds originally appropriated for district programs.
- Over 90% of the funds transferred occurred within the Department's major program areas, which suggests that districts used their budget flexibility to adjust services to better meet client needs.
- The amount districts transferred from any major program area was less than 1% of the amount appropriated to that area. In general, districts used inter-program transfers to move resources from programs that had budget surpluses to programs that had budget deficits.

We recommended that the Legislature continue to grant budget and rate flexibility to the Department. However, we noted that the 10% budget flexibility authorized by s. 20.19(19), F.S., appeared to meet district needs and that the additional 5% was not needed. We recommended continuation of the salary rate flexibility feature of the pilot project. We also recommended that the Department work with the Governor's Office to reduce the time spent processing transfers.

Current Status

Actions Taken

The Legislature retained the 10% budget transfer authority granted by s. 20.10(19), F.S., but did not reauthorize the pilot project. Thus, districts have lost their salary rate flexibility although they continue to have budget flexibility.

Neither the Department nor the Governor's Office had the authority to discontinue reviewing proposed transfers. Thus, transfer requests continue to go through two layers of review. However, both the Department and Governor's Office have looked for ways to expedite the timeliness with which they process budget transfer request. For example, because inappropriate requests for transfers lengthen processing time, the Department provided districts written guidelines about the funds they can and cannot transfer using the 10% authority.

Outstanding Issues

The issue of providing greater budget flexibility to the Department is likely to reemerge when the Department submits its proposed performance-based program budget. One of the underlying premises of performance-based program budgeting is that agencies need budget flexibility to improve their efficiency and effectiveness and that the Legislature may grant agencies greater flexibility when it can hold them accountable for program results. The Department is likely to request additional budget flexibility during the 1998 Legislative Session. The Legislature should use the results of the pilot project when it considers this request.

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302). Web site: <http://www.state.fl.us/oppaga/>

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