

**Possible Avenues to Cost Reductions Related to Published OPEGA Reports  
 Provided to Appropriations and Financial Affairs Committee on July 22, 2009**

#	Possible Avenue	Direct Report Reference	Additional Report Info @	Possible Approach to Exploring This Avenue
<p><b>State Administration Staffing Report</b></p> <p><b>In response to recommendations in this report, DAFS prepared standardized org charts showing reporting relationships and conducted a market survey of total compensation packages.</b></p>				
1	Continue examination of organizational structure	General Recommendation - pg. 12	Background - pgs. 9-10 Detailed Analysis - pgs. 16-18 Appendix: Other States Info - pgs. 20-24	<ul style="list-style-type: none"> <li>• Review recently created standardized org charts and focus on those that appear to have many layers or low spans of control.</li> <li>• Obtain additional info from agency or legislative non-partisan staff necessary to understand funding source, changes to structure since org charts developed, function of the org unit and individual positions, extent of vacant positions and impact of possible retirements within next 3-5 years.</li> <li>• Assess whether # of levels and spans are appropriate for function or could be adjusted and set target.</li> <li>• Assess whether agency is or will be heavily impacted by current vacancies or those created by retirements – if so, consider whether function should be eliminated or combined with another or whether there are ways to improve efficiency and productivity (i.e. technological solutions) such that open positions do not need to be refilled.</li> </ul> <p align="center"><b>AND/OR</b></p> <ul style="list-style-type: none"> <li>• Obtain additional info from agencies to understand changes to structure since org chart developed, where vacant positions are located and additional detail on layers and spans for those org charts that are not complete.</li> <li>• Calculate current average # of layers and spans of control for State gov't using formulas similar to other states.</li> <li>• Assess whether this seems reasonable or could be adjusted – if so, set targets.</li> </ul>
2	Adjustments to retirement contributions and salary premiums for positions in Admin units H, M, O, X, Y, Z	Detailed Analysis - pgs. 15 (last ¶)-16	Detailed Analysis - pgs. 13-15	<ul style="list-style-type: none"> <li>• Review with DAFS the results of recent market salary survey for positions in these Admin Units.</li> <li>• If total compensation pkgs. for these positions are considerably above market, consider whether the additional benefits of retirement contributions and salary premiums should be adjusted. (Need to take into consideration recent changes to State employee benefits and salaries.)</li> </ul>

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<b>State Contracting for Professional Services Report</b>				
3	Reduce costs associated with Cooperative Agreements	Finding #3 – pg. 16	Background – pg. 11	<ul style="list-style-type: none"> <li>State Controller’s Internal Audit Division has committed to GOC to conduct in-depth review of Cooperative Agreements. Results were originally expected in June 2009 but other priorities for the Internal Audit Division have emerged and delayed the start of this review.</li> </ul>
4	Reduce costs through increased competitive bidding		Conclusion - pgs. 12-13 Finding #1 – pg. 14 Finding #2 – pg. 15 Finding #4 – pg. 17	<ul style="list-style-type: none"> <li>Follow up with Division of Purchases as to whether action items due on Findings 1 and 2 by June 30, 2009 have been completed.</li> <li>Assess with Division of Purchases whether these actions have already resulted or could be expected to result in increased competitive bidding and whether it is possible to assess any cost reductions already experienced or expected as a result. (Note: Competitive bidding could be informal process as well as formal RFP.)</li> </ul> <p style="text-align: center;"><b>AND/OR</b></p> <ul style="list-style-type: none"> <li>Review individual contracts with higher General Fund impact that have been sole sourced, repeatedly renewed or significantly amended.</li> <li>Assess whether there are potential cost savings that would be associated with competitive bidding on those contracts.</li> <li>Review of individual contracts might also include review of whether any financial penalties associated with missed deliverables or non-compliance with terms and conditions have been applied and collected and whether there have been any overpayments to contractor due to inaccurate billing.</li> </ul>

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<b>State Boards, Committees, Commissions and Councils Report</b>				
<b>Legislation passed in response to Rec. C on pg. 11 should have resulted in more complete reporting of costs and other information by boards to SOS in the last required annual report. This data could be obtained from SOS to update figures in OPEGA report.</b>				
5	Reduce # of boards, committees, commissions and councils	Fiscal Opp #1 – pg. 12 Fiscal Opp #2 – pgs. 13-15 Fiscal Opp #3 – pgs. 15-16 Fiscal Opp #4 – pgs. 17-18	Recommendations A, D – pg. 10 Appendix C – pg. 26 Appendix D – pgs. 27-53 SOS Comment Letter at end of report	<ul style="list-style-type: none"> <li>State &amp; Local Gov't Committee (123<sup>rd</sup>) addressed Fiscal Opp #3 by asking other committees of jurisdiction to review and comment. No changes to existing boards were made as a result.</li> </ul>
6	Consolidate administration of licensing boards	Fiscal Opp #5 – pgs. 19-21	Recommendation A – pg. 10 Appendix D – pgs. 27-53	
7	Reduce costs of facilities and refreshments	Fiscal Opp #6 – pg. 21	Appendix D – pgs. 27-53	
8	Reduce member compensation and expenses	Fiscal Opp #2 – pgs. 13-15 (Reduce # of seats) Fiscal Opp #7 – pgs. 21-22 (Standardize compensation rates)	Appendix D – pgs. 27-53	
9	Reduce administrative effort for Secretary of State	SOS Comment Letter at end of report	Recommendations A – D – pg. 10-11	<ul style="list-style-type: none"> <li>Some of SOS issues may have been addressed in legislation passed in response to this report. Check with SOS Office.</li> <li>If they have been addressed, assess with SOS whether there are future savings expected from this that have not been captured in budgets. If not, assess whether there would be savings possible in addressing them.</li> </ul>

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<b>Economic Development Programs in Maine Report</b>				
<p>In response to recommendations in this report, the Maine Development Foundation produced an inventory of economic development programs meeting the criteria/definition for economic development agreed upon by BRED and DECD. Information in that document should be more current than in OPEGA's report. Also DECD contracted for an independent evaluation of R&amp;D programs and other economic development programs. Some data that would assist with selecting programs to be considered for discontinuation or combining may be available from those evaluations. Lastly, the Governor established a task force to review the delivery system for economic development programs. Understand that the results of that task force ended up being somewhat broader, is completed and has been shared with the Governor.</p>				
10	Discontinue or modify programs	Recommendations A & B – pg. 30	<p>Finding #1 – pgs. 28-29</p> <p>Appendix 2 (Summary of Programs) – pgs. 47 – 51</p> <p>Appendix 3 (Risk Assessment Results) – pgs. 53-56</p> <p>Background – pgs. 11-16</p>	<ul style="list-style-type: none"> <li>• Select programs to review for possible elimination or modification based on impact to General Fund and OPEGA risk factors.</li> <li>• Review programs to assess whether they are still relevant to State strategy, whether issue they were created to address has subsided or whether program otherwise may not be producing the results desired.</li> <li>• The Labor Committee had requested an OPEGA review of the Governor's Training Initiative Program. It is on the GOC's On Deck list for possible inclusion on work plan.</li> </ul>
11	Combine programs	Recommendations A & B – pg. 30	<p>Finding #1 – pgs. 28-29</p> <p>Appendix 2– pgs. 47 – 51</p> <p>Appendix 3 – pgs. 53-56</p> <p>Background – pgs. 11-16</p>	<ul style="list-style-type: none"> <li>• Identify programs that are serving similar industries or are of a similar type. Assess purposes of these programs against State strategy and determine whether programs or administration of programs could be combined.</li> <li>• Follow up with DECD to determine whether the Governor's recent task force has addressed this issue and if so, whether there are any savings or efficiency opportunities that have been identified.</li> </ul>
12	Reduce admin costs associated with programs	Recommendation B – pg. 30	<p>Finding #1 – pgs. 28-29</p> <p>Background – pgs. 9-11</p> <p>Appendix 5 – pg. 63</p>	<ul style="list-style-type: none"> <li>• Identify programs that are serving similar industries or are of a similar type. Assess purposes of these programs against State strategy and determine whether programs or administration of programs could be combined.</li> <li>• Review programs with complex rules or delivery mechanisms and determine whether it is possible to reduce complexity so as to reduce administrative costs.</li> <li>• Follow up with DECD to determine whether the Governor's recent task force has addressed the above points and if so, whether there are any savings or efficiency opportunities that have been identified.</li> </ul>

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<b>DHHS Contracting for Cost-Shared Non-MaineCare Human Services Report</b>				
13	Budgetary adjustments for improved cash management	Finding #1 – pgs. 9-10	Conclusion – pgs. 8-9 DHHS Comment Letters – pg. 20 and at end of report Background - pgs. 4-7	<ul style="list-style-type: none"> <li>DHHS said there were no savings to book from Finding #1 as baseline budget already had collections of overpayments built into it. OPEGA/GOC did not receive any detailed information about DHHS budget to assess whether amounts OPEGA estimated could be retained exceeded anticipated collections already in baseline budget. Could inquire of DHHS about this to assure there are not some adjustments to budget that could be made.</li> <li>Follow-up with DHHS to see whether actions to address Finding #1 due by first quarter of FY 2009 have been completed. If so, assess with DHHS whether any experience to date with quarterly true-ups provides possibility that there will be more cash retained in State going forward than what has been budgeted for collections in base line.</li> </ul>
14	Budgetary adjustments for improved collection efforts	Finding #2 – pg. 11	Conclusion – pgs. 8-9 DHHS Comment Letters – pg. 20 and at end of report Background - pgs. 4-7	<ul style="list-style-type: none"> <li>Follow up with DHHS to see whether management actions to address Finding #2 due by Sept. 2008 have been completed. If so, determine whether baseline budget has already been appropriately adjusted for any collections that will exceed amounts that have been built into baseline budgets in past or if there are opportunities for additional adjustments.</li> </ul>
15	Reduction in administrative costs for appeals	Finding #4 – pgs. 13-14	Background – pg. 7	<ul style="list-style-type: none"> <li>Follow up with DHHS to determine whether management actions to address Finding #4 due by January 1, 2009 have been completed and whether, in general, there have been any reductions in number of appeals. If there have been reductions, determine if there are any cost savings (staff resources or because of improved cash flow) that should be accounted for in the budget that have not been.</li> </ul> <p style="text-align: center;"><b>AND/OR</b></p> <ul style="list-style-type: none"> <li>Assess whether there are changes that could be made to appeals policy or processes that would result in efficiencies and reduced costs.</li> </ul>
16	Reduction in contract admin costs through reduction in # of contracts	Background – pgs. 4-5		<ul style="list-style-type: none"> <li>Assess whether policies, procedures or processes related to contracted services could be revised so as to reduce # of contracts with each provider (i.e. combining contracts) and/or reducing # of providers.</li> </ul>

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<b>MaineCare Children’s Outpatient Mental Health Services Report</b>				
17	Budgetary adjustments related to changes in DHHS Cost Allocation Plan	Finding #4 – pgs. 20-21		<ul style="list-style-type: none"> <li>Follow up with DHHS to see whether management actions to address Finding #4 are on schedule and determine whether any cost reductions expected from them have not already been captured in baseline budget.</li> <li>Get briefing from State Audit Department on results of review of DHHS’s new CAP plan - whether there are additional opportunities for utilizing federal funds that have not already been pursued. Determine whether expected reductions in need for General Fund for items other than DHHS Rate Setting Unit have already been captured in baseline budget.</li> </ul>
18	Further reductions in standardized rates to providers	Estimated Administrative Costs – pg. 12	Potential Effects – pgs. 14-15	<ul style="list-style-type: none"> <li>DHHS’s cost-based calculations of standardized rates for providers were supported in a review by Deloitte Consulting. The rates calculated by DHHS and Deloitte are considerably lower than current standard rate. Provider community has been adjusting to the current standard rates and DHHS and the ASO have been making efficiency improvements. Given these adjustments and improvements, assess whether there is possibility of further reducing standard rate without impacting access to and quality of service.</li> </ul>