

Reimagining Government

Since the start of his administration, Governor Cuomo has worked to institute reforms that will create a government that performs better and costs less. This Executive Budget is a blueprint that reflects the next phase of his work to achieve these goals.

Last year, Governor Cuomo instituted sweeping management actions that transformed the State's operations and the way the public interacts with State government. The Executive Budget last year advanced new transformative models of governmental decision making that relied on public participation to a greater extent than has ever been attempted to improve programs and to more equitably allocate resources. The process has been successful. In one year, teams addressing health care and economic development have proven that individuals with opposing interests can find common ground and, working together, make decisions for the common good.

In addition, Governor Cuomo created the Spending and Government Efficiency (SAGE) Commission to begin the process of reforming and streamlining State government. This Commission is charged with reviewing the State's organizational structure, identifying operational improvements, creating meaningful metrics, and identifying non-critical activities. With considerable public input, the Commission made several important contributions, including recommendations to merge State agencies, to consolidate certain agency functions, and to implement a culture of performance and accountability.

Advancing Government Through Public Participation

Regional Economic Development Councils

Job creation, the restoration of a vibrant State economy, and a new reputation as a location for investment have been Governor Cuomo's top priorities from his first day in office.

One prime strategy has been redesigning New York's approach to economic development and job creation through a statewide network of Regional Economic Development Councils. This new approach enables the 10 regions of the State to shape their own economic futures. The Governor's 10 Regional Councils brought together stakeholders from labor, business, academia, and communities to develop long-term strategic plans based on their regions' unique resources and specific priorities.

Governor Cuomo also realigned the State's resources and regulations to support the Regional Councils, eliminating bureaucratic barriers to economic development. As part of this effort, the Governor created a new Consolidated Funding Application, allowing a coordinated evaluation for the awarding of a combined pool of nearly \$1 billion in grant money and tax credits from dozens of existing State programs and new resources.

The Regional Councils were driven to succeed through competition for State resources. After the Regional Councils completed their work, the plans were analyzed and ranked by a committee

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of experts to determine which would have the greatest potential to create jobs and spur economic development. In addition, over 2,500 applications under the Consolidated Funding Application were reviewed by the Regional Councils and other State funding agencies. In December, more than \$785 million in State economic development funding was awarded to the successful applicants. These grants funded more than 720 projects submitted under the strategic planning and Consolidated Funding Application processes.

Redesigning Medicaid and Healthcare

During the 2011-12 budget process, Governor Cuomo formed the Medicaid Redesign Team (MRT), bringing together health care, labor, and government leaders to fundamentally restructure and reform New York's extensive Medicaid program. After public meetings seeking broad input were held across the State, and thousands of comments were reviewed, the MRT identified billions of dollars in savings. The Enacted Budget implemented a majority of the Team's proposals, ensuring that the Medicaid system could continue to operate effectively and provide critical health care services at a more sustainable cost.

State Medicaid spending had been projected to grow at an unsustainable rate of 13 percent for the 2011-12 fiscal year. With the MRT input, Department of Health (DOH) Medicaid spending was reformed, growing by approximately 3 percent, after adjusting for enhanced Federal funding, and future growth in DOH Medicaid spending will be limited to the 10-year rolling average of the Medical CPI, currently 4 percent.

One of the most significant reforms, the cap on Medicaid spending, will contribute significantly to reducing future budget gaps. However, the Team's proposals to develop more effective delivery of health care services are an even more significant contribution. This goal will be achieved by substantially expanding patient-centered medical homes, better controlling home healthcare, and increasing care management for individuals with complex needs.

In the second phase of its work, the MRT addressed other complex issues. The 2012-13 Executive Budget reflects some MRT proposals recommended in this phase.

Key reforms advanced by the Medicaid Redesign Team since its inception include:

- Creating a first-of-its kind in the nation Medicaid Global Spending Cap which introduces fiscal discipline into a program that has seen double-digit growth;
- Phasing out the dysfunctional Medicaid fee-for-service (FFS) payment system, and replacing that system with care management for all, which will better align financial incentives and reward the provision of cost effective health care;
- Improving the quality of primary care by expanding access to nationally accredited Patient Centered Medical Homes for virtually all 5 million Medicaid members;
- Launching powerful new health and public health strategies to eliminate health disparities, significantly expanding access to supportive housing, and re-inventing the Medicaid benefit to improve population health;

- Creating Health Homes, which will provide integrated care coordination and management that will ensure that the sickest Medicaid patients get their needs met in the most cost-effective way possible;
- Implementing significant reform for the health care delivery system in Brooklyn and elsewhere to improve health and health care in New York City's most populated borough, which will become a model for the rest of the State;
- Instituting New York's first program-wide, comprehensive system of performance measurement to benchmark current performance and set clear goals for the future; and
- Pursuing a new Federal waiver that will allow the State to reinvest in its health care infrastructure, and give the State the freedom to innovate. The new waiver will allow the State to prepare for implementation of national health care reform as well as effectively bend the cost curve for the State's overall health care system.

The SAGE Commission and Redesigning State Government

Like Governor Al Smith, we must undertake a process to fundamentally reorganize our State government to perform better and cost less.

A year of public meetings, data gathering, and analysis confirmed that New York State government had become a collection of organizations, working in silos with limited coordination across agencies, performing functions and programs accumulated over years without any careful review.

The Executive Budget advances proposals to reverse decades of bureaucratic inaction and mismanagement, and refocus agencies' operations in ways that benefit service recipients and taxpayers alike.

Reorganization of State Government and Coordination of Functions Across Agencies

In working to determine opportunities for improving services and increasing efficiency, Governor Cuomo has directed the SAGE Commission to work with the Division of the Budget to break down the silos of our organizational structure and address the thousands of programs that exist across the vast bureaucracy with little rhyme or reason. This will begin by compiling a comprehensive list of State agency core purposes and programs based on a strict legal analysis of their mission. This disciplined approach has already led to opportunities for collaboration and elimination of agency activities that are outside the agency's core purpose. This process will continue and expand this year.

The goal of this process will be recommendations to help consolidate functions, coordinate activities, benchmark progress, and set goals for improvements. The Governor will invite the Legislature to work with him in identifying archaic programs, duplication in programs, and programs that don't work. The process of reorganizing State government must begin immediately, however, so the Executive Budget provides authorization to consolidate certain administrative functions to achieve efficiencies and reduce duplication.

Controlling Excessive Executive Compensation and Administrative Costs in Service Providers

One-third of the State budget goes to non-profit and for-profit agencies to provide services on behalf of the State. However, there are inadequate controls to protect against excessive executive compensation, administrative costs, and profit.

To ensure that taxpayers and the vulnerable populations served by these agencies receive the maximum value for the funds paid, Governor Cuomo is proposing the following reforms beginning in 2012-13:

- At least 85 percent of every public dollar will be spent on direct services, not administration.
- Reimbursement for any executive's compensation will be capped at \$199,000.
- Excess compensation will be a basis for rejection of a provider.

Redesigning the State Organization Chart

In 2011-12, the State started the process of merging and consolidating State agencies to achieve efficiencies and reduce redundancies. This process continues this year with the following consolidations, saving \$10 million annually and resulting in better, streamlined services:

- Merge the Division of the Lottery and the Racing and Wagering Board to provide a single entity for the overall coordination of gaming policy and regulation in New York State. The gaming industries constitute a vital sector of New York State's overall economy, and their continued growth will contribute to economic development and job creation in this State. Gaming options both in and out of New York have expanded exponentially, but regulation of this sector remains mired in the 1960s.
- Merge the Department of Civil Service and the Governor's Office of Employee Relations to provide the State with a single entity responsible for a strategic approach to workforce management, including recruiting, training, promoting, and developing a best in class workforce for the people.
- The Department of Taxation & Finance will assume the debt collection functions of HESC while allowing HESC to focus on its core mission of managing TAP financial aid and oversight of loan portfolio servicing.
- The Department of Transportation will consolidate regional offices from eleven to six, and eliminate regional directors and supervisory staff, thereby creating a new regional view that better reflects the needs of the State.
- Transfer the management of Belleayre Ski Center from the Department of Environmental Conservation (DEC) to the Olympic Regional Development Authority (ORDA). Given ORDA's expertise managing other ski centers (Gore and Whiteface) Belleayre will see improved operations.
- Recommend the elimination of more than 25 boards and commissions that are no longer active, or whose missions have been completed or become redundant, and merge other boards that have related missions, which would foster more efficient government.

- Use flexible State Operations appropriation language to enable the further consolidation of day-to-day functions that do not require additional statutory amendments.

Enterprise Shared Services

In addition to focusing on programmatic collaborations and opportunities for coordination, the Governor tasked the Division of Budget with benchmarking New York State's back office business operations.

Several key facts emerged during the analysis:

- New York lags behind the private sector and other states in the development of shared services.
- Our organizational models and business processes need modernization and streamlining.
- The State is not taking advantage of economies of scale to maximize operational efficiency and lower costs.
- New York does not coordinate decisions across agencies.
- Customer service quality is uneven and performance metrics are nearly non-existent.

Based on best practices in both the public and private sectors, the State will move aggressively over the next five years to make operational changes that will reduce costs, increase efficiency and transform State business practices.

One glaring example of inefficiencies is the grant contract management process. In 2010, 71 percent of new and renewal grant contracts with not-for-profits were not approved by the contract start or renewal dates, and 20 agencies were using more than 50 systems to manage the grant contracting process. This budget recommends a single statewide application, a single statewide contract, and a Statewide Grants Management Portal providing not-for-profits and agencies a single web-based platform to transform this system.

The opportunities identified to date indicate that, after modest one-time investments, the State can save over \$100 million in 2012-13, growing to \$1 billion over five years, an 8 to 1 return on investment.

8 to 1 Return on Investment

	Five Year Total (\$ in thousands)
Required Investments	(134,757)
Savings	
Procurement	755,000
Real Estate	69,000
Business Services	115,000
Information Technology	160,000
Savings Subtotal	1,099,000
NET ANNUAL ALL FUNDS SAVINGS	964,243

Areas for improvement include:

- **Procurement:** Major State contracting activities, including Information Technology, will be centralized in the Office of General Services (OGS) with necessary staff transferred to OGS over a three-year timeframe. Statutory barriers for local governments and non-profits to access State contracts and save money will be eliminated, and strategic sourcing will be implemented to leverage the State's full buying power.
- **Real Estate:** Centralize management of State real estate in OGS. Outsource certain functions as appropriate, maximize space in State-owned buildings, and minimize costly leased space.
- **Business Services:** A Business Services Center will be created in OGS to immediately combine the administrative functions of 29 agencies that currently have their administrative functions hosted in various agencies across the State. Other administrative functions in agencies, including all finance activities and human resource transactions, will be evaluated and benchmarked leading to further consolidation in OGS.
- **Technology:** Consolidate all day-to-day IT operations, including data centers, in a rebranded, customer-focused technology center (Office for Information Technology Services); create IT agency clusters to facilitate application development; create a governance process that holds the new CIO/OFT and agencies accountable; and develop standards and strategies.
- **Grant Contract Management Reform:** Develop a standard Master Contract and a single application for grants; implement a Statewide Grants Management Portal to standardize grant application, contract, payment and reporting activities; and develop a rigorous vendor performance management process that holds vendors accountable against Service Level Objectives.
- **Workforce Management:** Merge the functions of the Department of Civil Service and the Office of Employee Relations; advance statutory changes to enhance flexibility in hiring, promoting and transferring employees; create a statewide center for training by moving training from GOER and OFT into DCS; and launch a recruitment and diversity campaign.
- **Virtual Capitol Online:** Develop a communication strategy that promotes the use of web and other low-cost, self-service channels of communication between the State and its customers. Create data, security and web design standards for building a citizens portal. Consolidate the existing 27 call centers into 4 clusters. Institute a common application for business e-licensing.