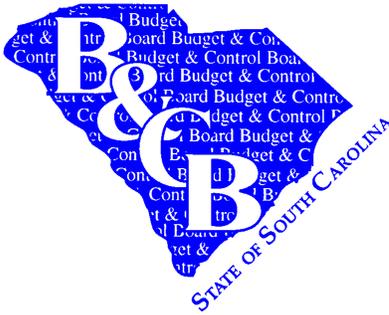# We Make Government Better

The South Carolina State Budget and Control Board
2001-02 Annual Accountability Report

Executive Summary

The fundamental job of the State Budget and Control Board is to help state and local governments across South Carolina maximize their ability to serve the public. It is a simple goal embodied in our new vision statement: "We Make Government Better."

That mission has never been more important than it was in 2001-02. The economic downturn intensified by the September 11 terrorist attacks resulted in revenue reductions for most agencies while the need for services was steady or growing. The Budget and Control Board took a series of actions to provide financial and administrative assistance to governments across the state during this challenging time. During the year the Board:

- Assisted the state in establishing the South Carolina Education Lottery by providing a temporary startup loan, helping it obtain affordable office space, posting and collecting job applications, and facilitating contracts to operate and market the games.
- Helped agencies that purchase drugs and medical supplies save $850,000 in the first year and more than $1 million thereafter by leading the state in joining the national Minnesota Multi-State Cooperative for Pharmaceuticals.
- Cut property and liability insurance rates by 25 percent beginning July 1, 2001, saving state and local governments $12 million.
- Saved state agencies nearly $4 million in local and long distance telephone charges by redesigning networks and negotiating better rates with service providers. The average monthly charge for local telephone service provided by the Division of the State Chief Information Officer was reduced 26 percent while the average cost of a long distance call also declined 26 percent.
- Prevailed in a major lawsuit challenging the benefits formula for the South Carolina Retirement Systems which could have caused significant financial harm to the plan.
- Continued to expand the Agency Mail System, which now reaches 605 entities, saving state and local agencies $4.2 million compared to the cost of using the U.S. Postal Service.
- Improved health care coverage for more than 400,000 government employees and their dependents by implementing legislatively-mandated mental health parity on January 1, 2002. In response to customer requests, the State Health Plan also began offering a supplemental dental care plan that now serves more than 38,000 people.
- Continued to develop a variety of unique collaborative projects within the Office of Research and Statistics. In 2001-02, the office developed a statistical criminal history computer file for use in research and analysis of adult and juvenile criminal behavior and its relationship to state funded rehabilitation programs. Under federal court direction, staff also successfully completed

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the preparation and implementation of the electoral redistricting of the 176 South Carolina General Assembly and Congressional districts.

- Continued to manage a large influx of customer service requests at the South Carolina Retirement Systems due to 28-year retirement, the Teacher and Employee Retention Incentive and numerous agency-sponsored early retirement incentive plans designed to help manage funding reductions. The number of claims processed was 82 percent higher in 2001-02 than the average for the previous decade.
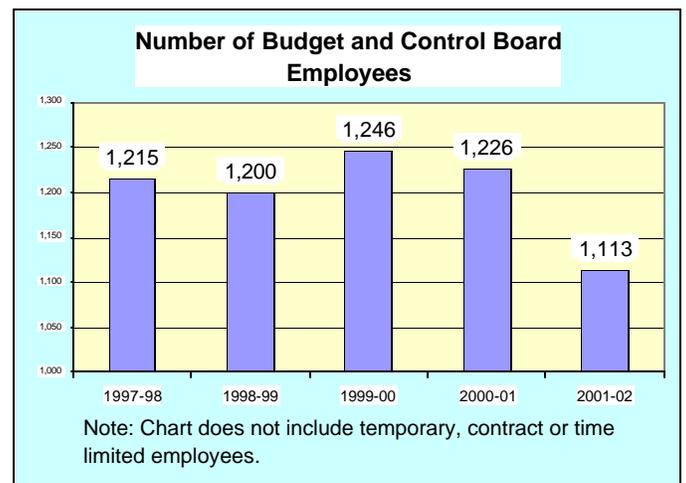
It was also a year of tremendous change and challenge for the Board internally. Like all agencies, the Board has been faced with significant reductions in its general fund budget. The appropriations act that took effect July 1 makes a $2.57 million cut in the Budget and Control Board general fund budget. When coupled previous reductions, the Board has absorbed a 21 percent budget cut since 2000-01. Our beginning general fund budget in 2002-03 is the smallest it has been since 1985-86.

How we have managed? First, by cutting costs wherever possible.

An Expenditure Review Committee of financial, procurement and technology experts from across the agency was assembled in 2001 to evaluate internal Board spending on a line-by-line basis. The committee identified a number of money-saving changes which were immediately put into place, including the bulk purchasing of desktop computers. An electronic employee-suggestion program, "Every Drop Counts," was also established. The Board's Internal Audit function has added a process review component to systematically evaluate administrative and internal support functions and search for agency-wide procedure improvements.

The Board also offered a separation and retire-

Number of Budget and Control Board Employees

1997-98	1998-99	1999-00	2000-01	2001-02
1,215	1,200	1,246	1,226	1,113

Note: Chart does not include temporary, contract or time limited employees.

ment incentive package which resulted in 67 employees leaving the agency at the end of 2001. Coupled with attrition, we have 113 fewer employees today than we did a year ago, a decrease of nearly 10 percent.

Together, these measures have allowed the agency to continue offering essential services without having to enact a reduction-in-force.

It would be easy to point to the budget and staff reductions as a reason to strive only to maintain the status quo. Instead, we have chosen to seek continuous improvement.

**Budget and Control Board General Fund Budget**

The key to dealing with today's challenges and preparing for the future is the Malcolm Baldrige National Quality Award criteria. The criteria provide a systematic way for the agency to focus on customer needs and to continuously assess progress towards meeting these goals with impartial, meaningful data. Significant progress has been made in using these principles to guide systematic change within the Board.

In January, two dozen key leaders from across the agency participated in a two-day session led by a national Baldrige judge. The culmination of the seminar was a close examination of the Board's 2000-01 accountability report to determine how well the agency was managing its resources. The consensus of the group was that the agency should focus on three strategic goals in the coming year: customer and stakeholder satisfaction, employee well-being and return on investment.

The agency has made significant strides in improving performance in those categories. The Board's first-ever employee satisfaction survey was conducted in the spring of 2002. Two new positions were also created from existing resources. The "ombud" serves as a sounding board for employee concerns and suggestions. The Director of Community and Business Relations coordinates employee recognition programs and relations with the business community. To help us better understand our employees, customers and the citizens we serve, about 60 senior Board managers also participated in diversity training led by a nationally-known trainer.

To better serve our varied customers, a more systematic approach is also being planned for customer surveying so that reliable measures are gathered for all Board programs. The Materials Management Office also launched a wide-ranging review of laws and procedures governing state agency procurement. Business leaders who sell goods and services to the state along with agency procurement officials were invited by MMO to share their thoughts, frustrations and suggestions for improving the process. The General Services Division slashed
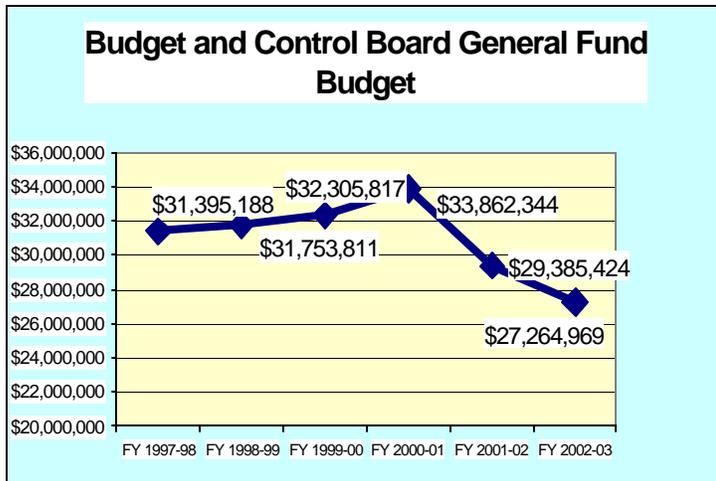
paperwork for its customers in state government by consolidating the long-term capital planning process. The State CIO has begun to completely reorganize how it offers it services to customers to give agencies greater flexibility in receiving the services they need.

The Budget and Control Board has also been reorganized from three divisions to eight so that more of the agency's key personnel can participate in the decisions-making process. Six divisions now report to a full-time chief of staff. This approach allows other experienced managers to take on broader responsibilities and allows the Executive Director to maximize the time he spends on key strategic issues. The Facilities Management Section of General Services has also been reorganized to better serve their customers.

The agency has also begun offering a series of introductory Baldrige courses that will eventually reach all Board employees. In addition, the Board is also planning for its future. A new Budget and Control Board Leadership Academy is being created to train the rising generation of Board leaders. The first class of twenty-four managers identified by their supervisors as potential future leaders for the agency's programs will take an intensive four-month course that will give them an introduction to all aspects of the Board. The course will conclude with a seminar about Baldrige and an analysis of this year's accountability report.

A U.S. Marine Corps Color Detail raised the American flag at the State Data Center for the first time in January during a ceremony to remember victims of the September 11 terrorist attack. CIO employee Russell Oswald spurred efforts to get a flagpole for the new building.

The budget for our agency and all of South Carolina state government is likely to remain tight. This situation is an opportunity for us to rethink everything we do and how we do it. Services must be redefined to meet the changing circumstances of our customers. One barrier to further progress is the fact that our highly-productive employees are carrying a bigger load. They are being asked to both drive change within our agency and shoulder additional responsibilities as we downsize the workforce. We must find ways to compensate these change leaders to a level commensurate with their contributions.

Technology also offers us great potential to improve efficiency and deliver services at a reduced cost. However, in some instances these savings will only come after an initial up-front investment in new equipment and software.

The Board's basic mission is to make government better. We are an agency that generally does not serve citizens directly but instead strives to provide services that improve the effectiveness and efficiency of state and local agencies and their employees. By helping them save money and perform their tasks more efficiently, we serve all the citizens of South Carolina. **We make government better.**

Business Overview

The primary purpose of the State Budget and Control Board is to help state and local entitites serve the citizens of South Carolina. Through leadership, policy direction, data collection and value-added services, the Board improves the efficiency of government. In most cases, the Board does not provide direct service delivery to the public. Instead, **we make government better** by maximizing the effectiveness of those agencies that do.

This leadership starts with the five members of the Budget and Control Board. Chaired by Governor Jim Hodges, the Board sets broad policy direction under the authority granted to it by the General Assembly. This includes oversight of state finance, purchasing, personnel and real property transactions. The Board, which meets about 10 times annually, also serves as trustees for the South Carolina Retirement Systems. The Board does not

The South Carolina Budget and Control Board. From left to right, Executive Director Frank Fusco; Senate Finance Committee Chairman Hugh K. Leatherman, Sr.; Governor Jim Hodges; Comptroller General James A. Lander; House Ways and Means Committee Chairman Robert W. Harrell, Jr. and State Treasurer Grady L. Patterson, Jr.

typically involve itself in the daily management of Board offices. Instead, this is carried out by the Executive Director.

Key Customers and Suppliers:

Key customers include the General Assembly, the Governor's Office, Board members, other elected officials, all state agencies, local entities, public schools, and public employees. The Board's key suppliers include:

- 24,000 vendors eligible to bid on state contracts.
- State agencies, cities, counties and school districts who remit contributions, enroll members and provide verification information to the Retirement Systems and the State Health Plan.
- Computer technology and telecommunication firms who contract with the CIO.
- The federal government which supplies funds for infrastructure development.
- Firms that administer claims and benefits for the State Health Plan and the Insurance Reserve Fund.
- Health care agencies, private businesses and non-profit groups who partner with the Of-

fice of Research and Statistics on collaborative projects.

Major Products and Services:

- More than 400,000 public employees, their families and survivors receive health, dental and life insurance through the Employee Insurance Program.
- The South Carolina Retirement Systems provides benefits to 86,738 retirees and beneficiaries and 237,839 active employees.
- The General Services Division maintains 82 state buildings, including the State House and the Governor's Mansion, as well as 227 additional buildings served under contract. It also operates the statewide Agency Mail, Central Supply, Fleet and Surplus Property programs and assists agencies in obtaining leased office space at the best possible price.
- The Insurance Reserve Fund insures more than $17 billion in property, 200,000 state and local government employees, 20,000 vehicles, including the state school bus fleet, 14 hospitals, and over 1,500 governmentally-employed physicians and dentists.
- The Division of the Chief Information Officer provides a wide assortment of telephone services, networking services, applications development, computer maintenance and operation services and IT procurement services.
- The Materials Management Office promotes the highest quality procurement services and life safety services under the auspices of the State Engineer's Office.
- The State Budget Office is responsible for the development and oversight of the process for preparing the annual state budget. This includes requests for funds, allocations of funds, and the responsible utilization of funds to achieve the needs of state government.
- The Office of Local Government provides grants, loans and technical assistance for water and sewer projects that protect public health and support economic development. In 2001-02, the office funded 44 grants for economic development and environmental protection. It also closed 13 loans totaling $65.4 million.
- Through partnerships and educational programs, the State Energy Office improves public sector energy efficiency. Over the last three years, energy efficiency retrofits in public buildings have saved $3.8 million.
- The Executive Institute provides high-quality executive development training to state agency heads, rising leaders from state and local agencies and the private sector.
- As the central human resources agency for state government, the Office of Human Resources operates consulting, policy development, training, recruitment, grievance and mediation and the state pay system so that South Carolina maintains a diverse, high performance workforce. OHR is also conducting a statewide initiative for succession planning which is critical to the stability of government services.
- The Office of Research and Statistics gathers, analyzes and publishes data vital to the social, health, and economic well being of South Carolina. The office includes sections focusing on economic research, demographics, mapping, and health data. It also works with other agencies to prevent overlap and duplication of data gathering activities
- The Confederate Relic Room and Museum is preparing to reopen to the public in a new facility with a completely new display about the military history of South Carolina from the Revolutionary War to the present.

Budget and Control Board Organizational Chart

Budget and Control Board

Office of Executive Director

Executive Director
Frank Fusco

Board Secretary

Delbert Singleton

General Counsel

Ed Evans

Retirement Systems Investment Panel

Chief of Staff

Steve Osborne

Divisions

General Svcs Division
Joe Rogers

- Facilities Management
  -*Dan Marlow*
- Business Service
  -*Scott Inkley*
- Agency Mail, Supply & Disposable Property
  -*Ron Cathey*
- Fleet Management
  -*Gerald Calk*
- State Building & Property Services
  -*Carol Routh*

Budget & Analyses Division
Vacant

- Office of Human Resource
  -*Sam Wilkins*
- Office of State Budget
  -*Les Boles*
- Office of Research & Statistics
  -*Bobby Bowers*
- Confederate Relic Room
  -*Allen Roberson*
- Board of Econmic Advisors
  -*Bill Gillespie*

Retirement Division
Peggy Boykin

- Information Technology
  - *Mike Nivens*
- Financial Services
  - *Tammy Davis*
- Administration
  - *Dianne Poston*
- Service Purchase/ Imaging
  - *Amanda Green*
- Customer Services
  - *Alice Copeland*

Insurance & Grants Svcs Division
Tom Lucht

- Office of Insurance Reserve Fund
  -*James Bennett*
- Employee Insurance Program
  -*Rob Tester*
- Office of Local Government
  -*Michael Gulledge*
- Energy Office
  -*John Clark*

Procurement Svcs Division
Delbert Singleton

- Office of Materials Management
  -*Voight Shealy*

State CIO Division
Matt DeZee

- Office of Chief Information Officer
  -*Matt DeZee*
- Chief Technology Officer
  - *Larry Johnson*
- Deputy CIO for Administration
  - *Tom Fletcher*
- Deputy CIO for Support Services
  - *Katie Morgan*

Strategic Planning & Operations Division
Joyce Green

- Legislative
  -*DeAnne Gray*
- Executive Institute
  -*Phil Grose*
- Communications
  -*Michael Sponhour*
- Office of Internal Operations
  -*Steve Elliott*
- Community & Business Relations
  -*Maxine Sumpter*
- Ombud
  -*Margaret Richardson*

Internal Audit & Performance Review Div.
Laura Watts

- Internal Audit
  -*Laura Watts*
- Performance Review
  -*Bill McClary*

Office	Employees	Location
Executive Office	5	Wade Hampton Building
General Counsel	9	1201 Main Street
General Services	318	1201 Main Street, 921 S. Main. 1022 Senate St., 1441 Boston Ave., 1942 Laurel St., DSS Building, State House
State Budget	22	1201 Main Street
Research and Statistics	76	Dennis Building, 1919 Blanding St, 5 Geology Rd.
Human Resources	42	1201 Main Street., 2221 Devine Street
Economic Advisors	5	Dennis Building
Confederate Relic Room	5	301 Gervais Street
Retirement Systems	180	202 Arbor Lake Drive
Employee Insurance Program	77	1201 Main Street
Insurance Reserve Fund	51	1201 Main Street
Local Government	12	1122 Lady Street
Energy Office	16	1201 Main Street
Materials Management	38	1201 Main Street
State CIO	320	1201 Main St., 4430 Broad River Road, The Citadel 1026 Sumter Street, Wade Hampton Building
Strategic Planning	7	Wade Hampton Building
Internal Operations	48	1201 Main Street
Executive Institute	5	1401 Senate Street
Internal Audit & Performance Review	7	1201 Main Street
TOTAL EMPLOYEES	1,243	

Note: Total includes temporary, part-time and time limited employees. The Board also contracts with 196 employees.

Key External Customers	State Agencies	Governor's Office	General Assembly	Local Government/ Schools	Higher Education	State/ Local Employees
General Services	X	X	X	X		
Retirement	X	X	X	X	X	X
Human Resources	X	X	X			X
CIO	X	X		X	X	
Local Government			X	X		
Research and Statistics	X	X	X	X		
Internal Operations		X	X			
Budget Office	X	X	X	X		
Executive Institute	X	X		X	X	X
General Counsel						
Confederate Relic Room				X	X	
State Auditor	X	X		X		

Base Budget Expenditures and Appropriations

Major Budget Categories	2000-01 Actual Expenditures		2001-02 Actual Expenditures		2002-03 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Services	$53,871,710	$13,920,418	$53,985,372	$12,308,475	$56,161,284	$11,715,745
Other Operating	$80,864,224	$8,444,921	$70,703,625	$5,621,640	$96,206,190	$5,522,282
Special Items	$22,060,440	$13,137,102	$24,607,273	$2,708,910	$4,091,918	$2,759,347
Permanent Improvements	$457,603	$0	$1,154,079	$0	$2,000,000	$0
Debt Services	$6,152,539	$420,000	$2,024,519	$420,000	$2,195,200	$420,000
Distributions to Subdivisions	$57,606,745	$13,861,677	$65,391,843	$4,009,865	$65,170,400	$3,985,400
Fringe Benefits	$13,809,464	$3,501,069	$14,702,340	$3,112,482	$14,389,760	$2,862.195
Non-recurring	$12,674,817	$12,295,610	$0	$0	$0	$0
TOTAL	$247,497,542	$65,580,797	$232,569,051	$28,181,372	$240,214,752	$27,264,969

Note: These figures include pass-through funds designated for other agencies

Other Expenditures

Sources of Funds	2000-01 Actual Expenditures	2001-02 Actual Expenditures
Supplemental Bills	$12,295,610	$9,790,326
Capital Reserve Funds	$376,598	$3,729,184
Bonds	$12,758,797	$7,001,529

1.0 Leadership

1. How do senior leaders set, deploy and communicate: a) short and long term direction; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and f) ethical behavior.

1.1.a-f Division Directors meet about every two weeks to discuss and resolve short-term issues. A strategic plan includes the longer-term key objectives of the Board. The strategic plan and key objectives have begun to be presented to all employees through division and office level work sessions. The strategic planning process, described elsewhere in this report, outlines the systematic approach used for setting objectives.

The Board has also significantly upgraded direct communication with employees. A Board-wide e-mail system has been established which the Executive Director uses to directly communicate with all employees. A summary of all senior staff meetings is sent to all employees via this system. During 2001-02, the Executive Director frequently sent messages to employees about key agency-wide issues. In addition, the *Across the Board* newsletter includes articles about key agency issues, features on employees who embody the Board's key values and columns by senior leadership discussing important issues facing the agency. The newsletter was published electronically seven times in 2001-02. The *In Brief* newsletter is sent via e-mail to state agency heads after each meeting of the Budget and Control Board to inform them of policy issues and key decisions of the Board.

The top four levels of agency management have aligned their EPMS's to the agency's strategic plans key objectives and values. The EPMS is critical to the full deployment, alignment and communication process. Senior leadership held a work session to develop a set of organizational values and has formally adopted the values and incorporated them into the strategic plan and performance evaluation for managers.

Bimonthly meetings with senior leaders and routine daily communication are used to continually assess progress. The Executive Director and Chief of Staff are working with each division head to identify key measures for maintaining service quality. In addition, action plans that target key areas for improvement with monthly monitoring and measurement are under development for the coming year.

The Director of Community and Business Relations has been designated to coordinate with the legal office to ensure that all employees comply with state economic interest requirements. Agency values place a high priority on ethical behavior which are being included in managers' performance appraisal.

2. How do senior leaders establish and promote a focus on customers?

1.2 Senior leaders have determined that customer focus is one of the three key strategic objectives for the agency. Every division and office is working toward providing all customers input opportunities and ongoing systematic customer satisfaction assessment. A staff member has been assigned to collect customer lists and assessment methods from each office to ensure that

surveying or other methods are performed and that customers do not receive duplicate inquiries. This information is used in short-term decision-making and, as the process is improved, in the annual strategic planning process.

3. What key performance measures are regularly reviewed by your senior leaders?
Results are compared to expected results derived from the strategic plan. Interim adjustments are made as needed in work processes and training. Specific programmatic measures are maintained and monitored in offices and programs and are reported to senior management.

4. How do senior leaders use organization performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?
Annually senior leaders perform a Baldrige assessment of the annual accountability report to develop key opportunities for improvement. Employee feedback has begun to be collected through an annual satisfaction survey and through the proactive contact with the work force by the agency ombud. This information is used to identify areas for leadership and organizational improvement. Based on the survey, opportunities for improvement include management communication, employee recognition and development.

5. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?
As a public entity the organization looks primarily for cost savings and quality improvement measures to the public for services provided. Primarily risks assessed and avoided are in the areas of health prevention, property and casualty insurance and avoidance of legal problems.

The image of our agency is extremely important. All press inquiries, Freedom of Information Act requests and mentions of Board in print or broadcast media outlets are logged and tracked. These news stories are converted to a dollar value based on story size, the cost of advertising in that publication and a multiplier that varies based upon an assessment of the story's tone. This allows the Board to determine which publications are most favorable to the agency's message and to set goals for positive coverage of Board employees and programs.

6. How does senior leadership set and communicate key organizational priorities for improvement?
The annual assessment process (see strategic planning) generates key priorities for improvement. These priorities are incorporated into employees' performance evaluations and are communicated through routine meetings between management and employees. Measures are developed for each key priority and progress is tracked. The results of all meetings held by the senior leadership team are communicated Board-wide via e-mail. The Executive Director has conducted site visits to all Board program areas during which he discussed their operations and the agency's challenges.
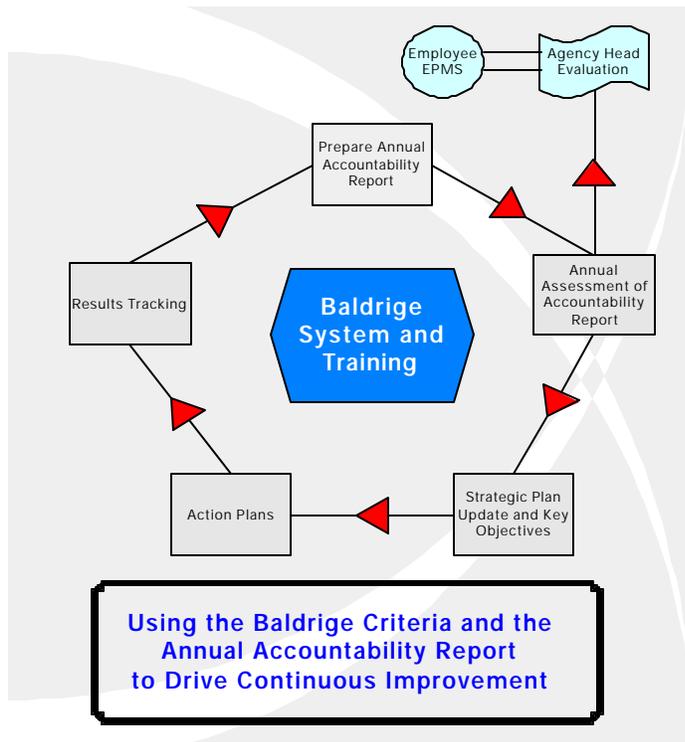
7. How does senior management and the agency actively support and strengthen the community? Include how you identify and determine areas of emphasis.

The agency's Director of Community and Business Relations, through an agency wide team, develops an annual plan that reflects the diversity and interests of our work force and identifies activities in the community for agency-wide support. These include primarily fund raising events, volunteerism and community events. Because the Board is a key landowner in the Congaree Vista area of Columbia, the Executive Director serves on the River Alliance, a broad-based community group that is working to develop the Midlands riverfront, and on a stakeholder group created by the Columbia city manager which meets quarterly.

2.0 Strategic Planning

1. What is your strategic planning process, including participants, and how does it account for: a) customer needs and expectations; b) financial, societal and other risks; c) human resource capabilities and needs; d) operational capabilities and needs; e) supplier/contractor/partner capabilities and needs.

Using the Baldrige Criteria and the Annual Accountability Report to Drive Continuous Improvement

2.1 The Board implemented a systematic strategic planning process in 2001-02 that uses the annual accountability report as the major tool for driving improvement. The chart to the left outlines the process.

The process began in January 2002 with a two-day session for about 30 senior Board leaders led by a nationally-known Baldrige judge. During the session, the management team first discussed and agreed upon the major functions of the Board and reviewed a strategic plan that was developed by the previous administration. They also conducted an analysis of the strengths and weaknesses of the Board, opportunities for growth and potential challenges.

The group produced an updated plan that reflects the current management's team philosophy, including a restatement of the agency's mission, vision and values. That plan was then compared with the Board's 2000-01 accountability report to determine how well the agency was meeting its goals.

From that process, the team selected three key objectives that would serve as the focus of the Board's effort for the coming year: customer and stakeholder satisfaction, employee well-being and return on investment. Cross-agency teams were then appointed to study each objective and recommend action plans which are now being implemented. Progress in these areas is regularly evaluated during senior leadership meetings which are held every few weeks. The process begins again in the next fiscal year with a review of progress in the three key areas and the establishment of new goals for the coming year. The Board's Office of Internal Operations has also conducted a strategic review of its operations. Drawing on the Board's internal expertise, the processes and relationships within the Board's human resources office were assessed and the Board has begun a strategic process for improvement.

2. *How do you develop and track action plans that address your strategic objectives?*

The new structure of the Board includes a Strategic Planning and Operations Division. The director of this division is charged with monitoring the strategic plan and ensuring that ongoing functional activities are aligned to short and long term plans. The Director of Strategic Planning prepares detailed reports showing each action item, who is assigned as its champion and an expected completion date. The director is in regular contact with each champion to make sure the project is on track. Each key improvement strategy is required to have an action plan with monthly measures. Division directors are responsible for reporting monthly.

3. *How do you communicate and deploy your strategic objectives, action plans and performance measures?*

Senior leadership has instituted a regular strategic planning meeting with the division directors to discuss long and short term planning on a regular basis. Summaries from these meetings are distributed to all employees.

3.0 Customer Focus

1. Identify key customers and stakeholders.

3.1 The citizens of South Carolina are ultimately the key stakeholders of the Budget and Control Board. In their name, the Board is entrusted to be the steward of billions of dollars in fixed and financial assets and human resources. It is the Board to whom people from all walks of life in South Carolina look for professionalism, quality services and products, and leadership in the daily administration of government.

Key customers of the Budget and Control Board are state and local agencies and state and local employees whom we help to improve public services; elected officials whom we advise on matters of public policy ranging from voting districts and land usage to budget development and the delivery of human services; public employees to whom we provide compensation, benefits and professional training; and the public at large in whose interest we preserve and display the history of our state and advocate better government services.

2. How do you determine who your customers are and what are their key requirements?

3.2 Customers for the most part are statutorily determined. State laws and regulations determine who is eligible for state health insurance and participation in the retirement system. The Consolidated Procurement Code mandates the Board's role in government purchasing while other statutes require Board regulation of state land transactions, construction projects and property leasing. Nearly 415,000 employees, retirees and dependents receive health insurance coverage through the Employee Insurance Program and another 325,000 active and retired public employees are served by the South Carolina Retirement Systems.

Many customers do business with the Board by choice. Nearly 24,000 individuals and businesses have registered to seek governmental business through the Board's Materials Management Office. Similarly, over half of all non-state governmental entities insured for property, casualty, or liability losses voluntarily purchase their coverage through the Board's Insurance Reserve Fund. The Agency Mail, Central Supply and Statewide Building Services Programs are entirely voluntary for state agencies. While state property must be disposed of through the Surplus Property Warehouse, the system only works if government agencies, non-profit organizations and the public choose to shop there to buy the surplus items thus generating revenue for return to agencies. The Health and Demographics Section of Research and Statistics conducts much of its work through voluntary partnerships and grant-funded efforts. The Confederate Relic Room and Museum attracts visitors with high-quality historical displays.

Efforts throughout the Board are being made to determine customer requirements in a variety of ways. The most prevalent methods are through written surveys and personal contacts with the direct recipients of services. Focus groups are periodically held to assess performance and quality of services and to predict new or changing requirements. Formal processes for evaluating and resolving customer complaints is another method by which the requirements for quality services and products are documented.

For example, in 2001-02, the Materials Management Office conducted a series of focus groups with vendors and state agency procurement officials to determine whether changes are needed to procurement laws or practices to improve efficiency. When faced with potential rate increases, the Employee Insurance Program conducted a survey of a sample of its customer base, met with representatives of key stakeholder groups, such as employee associations, and conducted focus groups with an array of workers to determine how employees preferred to handle the funding situation.

3. How do you keep your listening and learning methods current with changing customer and business needs?

3.3 The Board's philosophy is to emphasize direct contact with customers. Employees take formal customer service training, which serves to increase their sensitivity to evolving customer requirements. Toll-free phone lines are available in several operations of the Board, which help to facilitate hundreds of thousands of opportunities annually to hear and serve the customer. The Board has redesigned its web site to provide current information about agency

activities and policies. The site includes a feedback option that allows the public to send inquiries. The site received 67 inquiries through this mechanism in 2001-02, including many vendors seeking to do business with the state.

4. How do you use information from customers to improve services or programs?

3.4 Information from customers is used most often to determine whether processes are in place and adequately functioning to meet their expectations. Complaint resolution processes are an example of this and the Board's attempt to build customer loyalty by incorporating customer feedback into decisions. Information from customers is used to redesign services and employee training. To be innovative and responsive the Board's offices are making customer information the prime ingredient of process improvements. Board management and staff recognize that every customer complaint is an opportunity to look at our service and how it is delivered. Most of our customer information is used in daily operations when situations occur so that staff can provide immediate feedback.

5. How do you measure customer/stakeholder satisfaction?

3.5 Customer satisfaction is measured or inferred using post-service questionnaires and feedback cards, holding periodic meetings with customers, personal interviews, focus groups discussions, complaint resolution efforts, and written annual surveys. The Board is developing a plan to make ongoing customer satisfaction surveying more systematic. Virtually all parts of the Board now survey their customers in writing. The quality and validity of the separate written instruments used previously have not always been comparable. Valid and reliable survey measurements of customer satisfaction will help to document whether efforts to improve business practices capture the interests of all of our customers.

6. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

3.6 Positive relationships are built by giving a high priority to customer concerns. The executive leadership of the Board emphasizes an open environment wherein communication is nurtured and encouraged. This has been translated into Board-wide efforts to increase customer communications. All forms of communication are used and no subject is restricted from customer comment. Board staffs visit customers regularly and host meetings to share ideas and to solicit comments about our performances. The Executive Director encourages other agency heads to let him know of any emerging problems or concerns.

4.0 Information and Analysis

1. How do you decide which operations, processes and systems to measure?

The Budget and Control Board is creating a culture where data and measurement are the foundation of sound decision making. It is the standard practice for all program areas to measure their key service performance and customer attitudes and to benchmark these areas against prior performance and high industry standards. Management evaluates program effectiveness on a regular basis using empirical data collected in each area.

2 How do you ensure data quality, reliability, completeness and availability for decision making?

4.2 We benchmark to the private sector whenever possible. The Internal Audit Division has been reorganized into the new Division of Internal Audit and Performance Review. This division will begin evaluating the validity of data used for performance measurement. Quality control procedures exist for much of the data gathered by Board programs**.**

Many programs are also subject to regular independent audits and also use third-party firms for the calculation and analysis of key data. The Insurance Reserve Fund uses Tillinghast, TPF&C, as its consulting actuaries in determining rates, reserves, adequacy of loss reserves, and adequacy of policyholders equity in making management recommendations to the Budget and Control Board regarding the financial management of the fund. Also, the Insurance Reserve Fund is audited by the South Carolina Department of Insurance every three years. The South Carolina Retirement Systems is also subject to an annual independent audit and hires an actuarial firm to periodically evaluate the systems' experience with retirement and mortality rates and investment return which determine the fund's long term financial strength. In the General Services Division, a designated employee coordinates its customer surveying and return on investment calculations for each program area. To enhance the availability of key program data for senior leadership, the Board anticipates purchasing in 2002-03 a special software package that will combine data from across the agency into a single "dashboard" available in real time.

3. How do you use data/information analysis to provide effective support for decision making?

4.3 As discussed in 3.4, specific comparative data and trends are used in all key service areas. The three primary areas of measurement are return on investment, customer satisfaction and employee well-being. Any detected decline in our trends in these areas is reviewed by senior management.

4. How do you select and use comparative data?

4.4 Board programs must provide service and value that meets or beats the private sector or ultimately our products will be replaced by better competitors either through customer choice or legislated privatization. Using professional knowledge, we benchmark against the highest possible public and private standards. The Division of the State Chief Information Officer compares itself to private sector benchmarks prepared by the Gartner Group, a technology consulting firm. The General Services Division compares its performance to private sector competitors through the use of Building Owners and Managers Association standards for facilities maintenance, market basket prices of the top 25 items handled by Central Supply and national public and private vehicle fleet data. The Insurance Reserve Fund compares its premiums to the national rates compiled by the Insurance Services Office Inc. for risk management. The South Carolina Retirement Systems compares its performance to a composite of 30 pension systems that participated in a benchmarking study conducted by Cost Effectiveness Measurement Inc.

5.0 Human Resources

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?

5.1 The Board's senior leadership has made employee well-being one of its three key areas of focus for improvement. A team of Board employees looked at the optimal approaches that excellent companies use to achieve consistently effective employee performance in each of the major components of human resources and determined what processes and measures would reflect how the Board's human resources efforts compare. This team made recommendations as to how the Board could further align its human resources efforts with the Board's values and objectives. The Board's leadership has implemented team interviews as the standard approach for hiring new Board employees. Similarly, a standardized internal recruitment process for promotion of Board employees is being implemented. The Board also created a new position of ombud to help resolve any emerging questions about workplace problems faced by Board employees. The ombud communicates employee concerns and issues to senior management.

The General Services Division, the South Carolina Retirement Systems, the Office of Human Resources and the State CIO Division all have well-designed internal employee recognition programs. A Board-wide committee has been established that will expand these efforts to cover all Board programs in the coming fiscal year. Those office-level awards will culminate in a agency-wide quarterly recognition program.

The Board also accommodated employees who requested to participate in the voluntary furlough program so that they could return to school, care for family members, or attend to other personal needs. A total of 63 employees took 872 furlough days in 2001-02, saving the Board $97,471.

For the first time, the Board held a celebration in May to mark Public Employee Recognition Day. Managers served employees refreshments and each employee was given a Budget and Control Board t-shirt bearing the Board's vision of "We Make Government Better." The Executive Director also recognized individuals and teams who made special efforts to help the agency cope with funding reductions. The Board also held two Service Awards programs to honor employees who have reached a 10, 20 or 30 year employment anniversary with the agency. A total of 75 employees were recognized at these events in 2001-02.

Comptroller General Jim Lander congratulates Josephine Ginyard of the General Services Division during Employee Recognition Day in May.

The Board also routinely publishes information about its employees, such as promotions, retirements, and features about individuals, in its *Across the Board* newsletter. Employee

achievements are also systematically reported to local news media, both as a way of recognizing the individual and advertising the Board as an excellent place to work. In 2001-02, Board employees were featured in 22 news articles with a dollar value of $54,434.

To help address current budget difficulties, the Board created an "Every Drop Counts" program to encourage employees at all levels of the organization to recommend and be recognized for cost-savings efforts within the Board. Suggestions are forwarded to the appropriate program area for study and implementation if possible. Management recognizes office and division participation with a symbolic bucket of candy that is highly sought by employees.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/ leadership development, new employee orientation, and safety training?
5.2 Recognizing that the workforce is aging, the Board has expanded training to develop a new generation of leaders and increase knowledge of the Baldrige process. In addition, the Board has acknowledged the need for job-based training opportunities designed to help employees improve their workplace skills.

Every employee is scheduled to participate in a three hour introduction to Baldrige course during 2002-03. This course is led by the Executive Director and the Chief of Staff with leadership training by division heads.

The Board has developed a Leadership Academy with an initial class of 24 rising agency managers. They will receive an overview of all Board functions and training in Baldrige concepts and leadership principles. The Leadership Academy curriculum will be taught by the Board's senior leadership.

One of the recommendations of the Employee Well-Being Team was that the Board develop curriculums for all key functions and positions along the lines of the Milliken University Model. A key measure of success in this area will be tracking the percentage of Board employees with an individualized training/development plan and the percentage of the plans completed each year. The Board has begun plans to implement this recommendation. Towards that effort, the Board has offered Baldrige criteria training this year to its leadership team and mid-level managers.

About 60 senior Board managers also participated in a diversity training seminar led by a nationally-recognized workplace diversity trainer who has worked with Fortune 500 companies. The Board also has a Diversity Team consisting of nine Board employees and chaired by the Executive Director who make recommendations to improve workplace diversity. They have produced a plan that calls for greater employee training, management accountability, team interviews for new hires and promotions, succession planning and participation in activities and career development

The Division of the State Chief Information Officer's comprehensive Employee Training Program includes a combination of technical and professional training courses which have been selected by the CIO's Training Council to foster achievement of the organization's mission and to ensure staff competencies in both current and future work assignments. The goal is to provide each employee with approximately forty hours of training annually. This training includes classroom instruction, web-based training, and computer-based training. The CIO also established a state contract that enables all state agencies to purchase web-based training courses at a fraction of the cost of instructor-led training. Each CIO employee was encouraged to take at least two of these courses.

3. How does your employee performance management system, including feedback to and from employees, support high performance?

5.3 The Board went to a universal review date of January 1, effective 2002. As a result of this change, supervisors are now more current in providing annual formal feedback to employees. In addition, new position descriptions and EPMS planning stages were developed for the newly organized division directors, office directors, and assistant directors. These new documents were developed and aligned to the Board's key strategies based on a direct correlation with the Malcolm Baldrige criteria. Business Results is an objective of all managers on the Board's leadership team. The goal of the EPMS project is to align the key performance measurement of every employee to the agency's key strategic objectives.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

5.4 The Board conducted its first agency-wide employee satisfaction survey in 2002. The voluntary, computer-based survey was filled out by about half of the agency's employees. The instrument will be used again annually—or more often—to track employee attitudes. The survey found that employees liked working for the Board and with their colleagues but desired more feedback from their supervisors, a greater opportunity to have their ideas used and more development opportunities. As recommended by the Employee Well-Being Team, the Board also tracks its turnover, grievances, and absenteeism.

The Board has developed an electronic leave system this year that was initially piloted with a few offices but is now available Board-wide. In addition to eliminating paperwork, the e-leave system provides a wealth of report-generating capabilities to assist supervisors.

To assist with measures such as employee morale, the Board has developed a strategic approach to providing all Board employees with communications about Board initiatives. The Board's Public Affairs Director provides employees with frequent e-mails about items of Board-wide interest, including summaries from the Board's regular leadership meetings and copies of the *Across the Board.*

5. How do you maintain a safe and healthy work environment?

5.5 Because it has so many employees engaged in maintenance and trades work, safety is a very high priority for the Board. The agency has a team assigned to provide a systematic

Barbara Brown (l) is probably alive today because of the Board-sponsored safety training that Brent Dooly (c) and Lonnie "Bucky" Neece received. The two Facilities Management trades workers calmly used the abdominal thrust maneuver to dislodge a piece of food that became stuck in her throat June 5.

training and safety program for all trades workers that is directed through a safety committee represented by an employee member from each General Services work team. An inspection program also exists to identify and fix hazardous workplace conditions. All General Services employees receive basic safety training with additional modules designed for each worker's job duties. All employees are retrained periodically about safety rules, policies and procedures, and when changes are made to the workplace safety manual. Much of the training is offered via a self-paced interactive computer program.

The value of safety training was demonstrated in June 2002 when two Facilities Management employees used their knowledge of first aid learned in General Services safety training to save the life of another Board employee who was choking.

Throughout the year, the Board's Prevention Partners program offers health screening, mammography and flu shots to its employees at convenient worksite locations for a nominal cost. Such screenings can detect potential illness early, protecting health and reducing time lost from work. A total of 343 employees participated in one of these screenings in 2001-02, up from 229 the previous year.

As a result of the September 11, 2001 World Trade Center terrorist attack, the Board's General Services Division made sure that each Board site has a current evacuation plan. To further address safety and health issues, the Board will begin tracking in 2002 several measures like the number of Workers' Compensation payable claims filed by Board employees each year or the percentage of Board employees receiving training on health and safety each year

6. What is the extent of your involvement in the community?

As a part of its reorganization, the Board created a new position, Director of Community and Business Relations. This position will help monitor and maximize the involvement of Board employees in community activities. A Community Involvement Committee was established to develop a comprehensive, systematic plan for employee community involvement. A survey is now being conducted of current outreach activities being sponsored by Board offices with the goal of focusing on one or two community projects that would involve all Board offices.

Currently, the Board is involved with S. C. School-to-Work, the United Way, Richland School District One's Lunch Buddies, Community Health Charities and the United Negro College

Fund. In addition, Board employees regularly volunteer for service with the Emergency Preparedness Division's disaster support team and are a key part of the state's response system for hurricanes and other natural disasters. Board employees contributed $46,813 to community charities in 2001-02. The Executive Director serves on the River Alliance Board and the City of Columbia stakeholder team.

Board employees are individually involved in a number of community efforts such as Habitat for Humanity, blood drives, youth sports and many organizations that assist the disabled.

6.0 Process Management

1. What are your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?

6.1 Throughout the Board's wide range of services, computer-based management programs are used to track work orders, customer contacts, repair histories and service requests. Generally, this broad pool of data is coupled with customer focus groups, routine customer satisfaction surveys, and up-front solicitation of customer requirements to determine policy changes, budget requests, employee training needs and the provision of new services.

Key systems for designing and delivering services include:

- The General Services' Facilities Management Section uses two comprehensive computerized maintenance management systems for the 82 state buildings under its care. The SPAN FM system records all scheduled maintenance needs for each mechanical system in a facility and creates reports so that managers know when routine upkeep is needed. All work orders for building repair and alteration requested by tenants are also recorded. Maintenance workers enter into the system all tasks performed at a facility. This allows Facilities Management to track long term maintenance costs by building and equipment manufacturer. The Facilities Assessment System records the anticipated remaining life-span for all major components of each state building. When combined with the database on actual repair history, Facilities Management can make long term capital improvement projections and prioritize funding requests and work scheduling.

- The Fleet Management Section uses the South Carolina Equipment Management Information System which tracks all cost data during the life of a vehicle including depreciation, maintenance and fuel. This system is funded by State Fleet Management and made available to agencies for their use free of charge. This gives Fleet Management superior data to track service and cost history by make, model and type of vehicle, which can govern future purchasing and deployment decisions. Data from this system has also been used to notify vehicle manufacturers of developing service problems. In addition, an electronic imaging system that manages manufacturer's bulletins and work orders for the Commercial Vendor Repair Program has eliminated an estimated 160,000 pieces of paper annually. Earlier this year, Fleet won the prestigious Larry Goill Award for Quality

Fleet Management Ideas from the National Association of Fleet Administrators.

- The State Chief Information Officer's telecommunications unit has implemented an auto-mated work-order-system. Customers receive on-line feedback regarding the progress of their request for services. This allows analysis of the time required to fulfill orders, accu-rately projecting service delivery dates, and monitoring the customer request from start to completion. The CIO is also developing a system whereby customers can select and pay for the level of service they require.

- The State Health Plan operates a computer eligibility system that lists all subscribers and their level of coverage. This data is updated daily and sent to the plan's medical, dental, mental health and prescription drug providers. In turn, providers are required by contract to report gross claim expenses weekly and must send detailed reports monthly that show the amount and type of claims. This allows the plan to estimate expenses and track which medicines or procedures are driving costs.

- The South Carolina Retirement Systems tracks all customer requests for information, benefits estimates and other services on a centralized computer system. This system al-lows SCRS to measure customer service goals such as completing the research of phoned information requests within three business days. The Electronic Employer Service allows benefits administrators in state and local agencies to access the central SCRS database to conduct benefits estimates and other transactions that otherwise would be performed by Retirement Systems' staff. Currently, 41 percent of employers use EES.

- A systematic approach has been created to track legislative and regulatory changes under consideration by the General Assembly and the executive branch. A designated agency contact monitors developing legislation and informs the affected program area should they be required to provide information or implement new legislation. All information queries by lawmakers to individual Board programs are centrally reported so that consis-tent, accurate information is provided.

- The State Budget Office logs all agency fund transfer requests and requests for fiscal im-pact statements for pending legislation into an Access database. This allows the office to monitor its response time, employee workload and the need for data from other agencies involved in the fiscal impact process.

2. How does your day-to-day operation of key production/delivery processes ensure meet-ing key performance requirements?
6.2 This year, the Board leadership team has designated three key performance measures for all service delivery programs: Customer satisfaction, employee well-being, and return on in-vestment. These three agency performance measures are incorporated into the various pro-gram areas' process management in the following ways:
1) planned periodic and ad hoc customer input and feedback points
2) annual customer satisfaction surveys

3) process documentation
4) employee training designed to ensure consistent delivery of services
5) measures for timeliness, accuracy, quality and cost comparisons
6) routine monitoring by management and employee work teams
7) changes in response to process analysis
8) follow-up

Full deployment of the above approach for process management is underway in the critical key process areas. The General Services Division has fully deployed all steps of the model for process management through the use of work teams, a guidance team and with an annual accountability process that is based on the Baldrige criteria.

3. What are your key support processes, and how do you improve and update these processes to achieve better performance?

6.3 The Office of Internal Operations provides support services to all program areas of the Board, including procurement, accounting, personnel, payroll, budgeting and courier services. A separate Division of Internal Audit and Performance Review supports and monitors individual program performance and common functions that serve all Board entities.

The Board's Internal Audit unit conducted a comprehensive review of the complete cycle for financial support systems for accounting and personnel functions to assess the efficiency of the processes. Using this information, leadership has made process changes that are being implemented across all Board program areas to reduce duplication, improve cycle time and reengineer the central internal operations office. Internal Audit unit also conducted a study of the Board's system for tracking fixed assets and led a special Expenditure Review Team in a comprehensive review of Board expenditures. The team made recommendations to management for policy/procedure changes regarding cell phones, pagers, professional memberships, training, consolidated procurement efforts, purchases of internal services and the timing of debt service payments.

A performance review function with a full-time director has been created to develop and implement a process by which employee teams will review the Board's performance in specifically identified areas. A collaborative effort between the Board's senior leaders and employee work teams, the performance review is designed to provide a forum for contribution from the workforce in improving the Boards performance using Baldridge criteria.

We use technology to improve processes and have an agency-wide technology improvement project underway. Information support systems are crucial to delivery of employee benefits, telecommunications, data processing, and human resources. While program specific mainframe and applications systems are supported by their own teams, a common approach to ensure timely, accurate services is employed by these information systems teams. End-user meetings are conducted on a regular basis to assess needs and address changing requirements of the end-users, legislative changes, and those of the customers as well.

4. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

6.4 Board programs work collaboratively with suppliers and partners to ensure that Board customers receive the best possible service at the best price. Vendor services are regulated by state procurement law that provides guidelines for procuring products and services. Communication with vendors is regulated by the Procurement Code and requires that the agency specify requirements for product and service quality, time frame for delivery, and service period. For telecommunications, which is exempt from the Procurement Code, the State CIO Division monitors the quality of vendor products using a Vendor Effectiveness Report based on analysis of product performance and decides on the continued use of vendors.

Contracted vendor services provide claims processing for the employee health benefit services. Continuous monitoring and management of vendor performance is critical to assure customer requirements are met. The Employee Insurance Program communicates with the vendors through regular and ad hoc meetings and evaluates the services provided to customers based on contract specifications and pre-established standards, enforcement of compliance through performance guarantees, and follow-up to customer complaints and comments. Insurance benefits contracts contain requirements that customer satisfaction be measured.

The South Carolina Retirement Systems and the Retirement Systems Investment Panel closely monitor fund mangers who invest the pension plan's stock portfolio. Money managers are subject to a statistical analysis, in-person interviews and site visits prior to selection. Those chosen to invest part of the portfolio must regularly participate in due diligence interviews with the Investment Panel. Performance, benchmarked against appropriate stock market indices for the style of investing in question, is analyzed on a monthly, quarterly and yearly basis.

Each of the state and local agencies served by the Employee Insurance Program and the South Carolina Retirement Systems have benefits administrators who serve as the main point of contact and enroll members in both programs. The EIP hosts an annual Benefits at Work conference where benefits administrators learn about upcoming changes in employee health benefits and can express their thoughts and needs. The Retirement Systems' Customer Services Field Education unit holds training sessions for all benefits administrators to explain SCRS procedures and policy changes. It also offers one-on-one training for new benefits administrators and makes mandatory site visits to all entities that join the SCRS. In 2001-02, 570 benefits administrators participated in training. More than 10,000 participated in SCRS seminars that explained the plan's benefits and helped them prepare for retirement.

The Commercial Vendor Repair Program requires State Fleet Management to be particularly active in partnering with both customers and suppliers. The program uses over 700 private sector providers statewide for maintenance of more than 9,000 vehicles belonging to 29 agencies. Before arriving at a CVRP shop for repairs, the drivers call one of State Fleet Management's master mechanics toll-free. The mechanic is able to discuss the problem with the driver and calls up the vehicle repair history. The mechanic then discusses with the CVRP

repair shop what repairs they plan to undertake. This system avoids unnecessary repairs and also allows the agency to be reimbursed for work on parts that may still be under warranty after having been repaired at a facility elsewhere in the state.

State Building and Property Services acts as a conduit for state agencies and the private leasing market. It maintains a central database of existing state leases for private office and other building space and a list of firms interested in leasing to state agencies. A computerized database tracks when existing leases are set to expire so that renewal negotiations can begin. State agencies requesting new space discuss their needs with the office, which issues solicitations and presents the agency with finalists that best meet the requirements. Tracking future lease expiration dates allows the Board's Facilities Management Section to make long-term decisions about whether to build new state-owned space or relocate offices to existing facilities.

The Office of Human Resources has assigned a consultant for each state agency who provides advice and guidance on human resource issues and OHR procedures. OHR also has a Human Resources Advisory Committee made up of agency representatives who advise the office of customer needs and help disseminate information across state government.

The South Carolina Energy Office has reestablished the Energy Advisory Committee, made up of representatives from utilities, manufacturers and the business sector, who provide guidance on how the Energy Office can best serve the citizens of the state. The committee reviewed and approved the Energy Office's 2002-03 strategic plan.
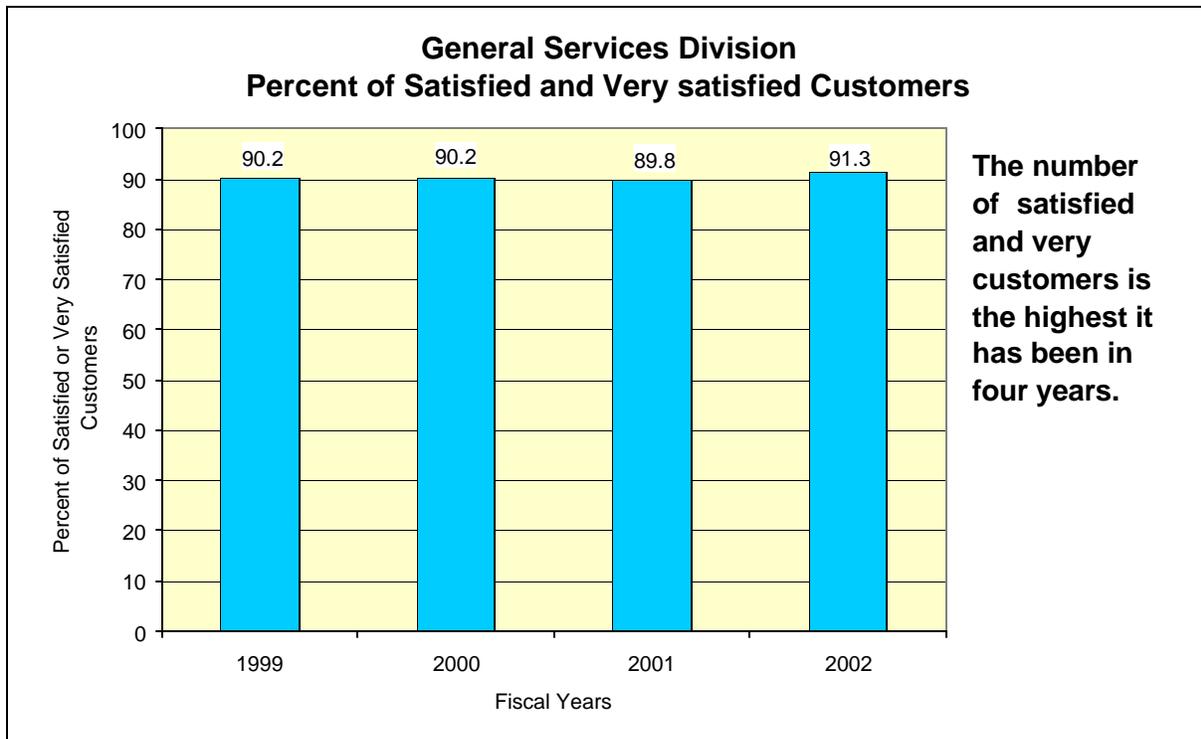
The Geodetic Survey Section has forged very close partnerships with counties in an effort to move South Carolina local governments from paper to digital mapping for land ownership and taxation purposes. Because many counties lack trained staff for digital mapping, the Geodetic Survey provides startup grants for digital mapping and writes specifications for digital mapping RFPs. Mapping contractors send their data directly to the section which conducts rigorous quality controls on the product before sending it to the county. Geodetic Survey then conducts on-site training for county personnel in how to use the new digital maps. Currently 28 of 46 counties now have digital maps with three additional counties slated to add them next year.
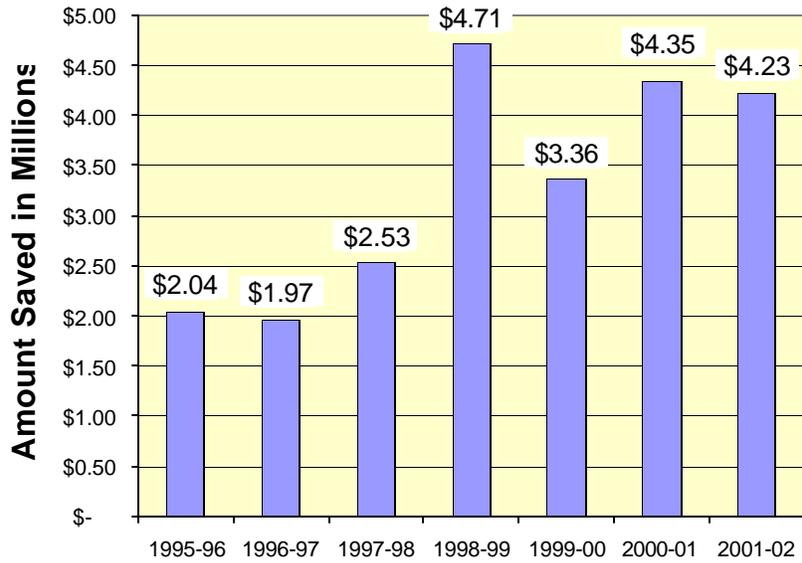
7.0 Business Results

Budget and Control Board
Return on Investment

Return on investment (ROI) is an estimate of the financial benefit of money spent on a particular program or project. The return might be in the form of actual cash earned, costs avoided or in efficiencies when compared with other alternatives.

Program Area	Total Return
State Health Plan	$609,000,000
Materials Management Office	$52,689,539
Property Management	$22,969,428
State Fleet Management	$13,310,824
Surplus Property/Central Supply	
Agency Mail	$10,521,552
Buildings/Grounds Maintenance	$8,434,471
Office of Human Resources	$3,517,027
State Budget Office	$901,046

General Services Division
Percent of Satisfied and Very satisfied Customers

Fiscal Year	Percent
1999	90.2
2000	90.2
2001	89.8
2002	91.3

Y-axis: Percent of Satisfied or Very Satisfied Customers
X-axis: Fiscal Years

The number of satisfied and very customers is the highest it has been in four years.

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Money Saved for State Agencies by Using Board's Mail Service Instead of U.S. Postal Service

Amount Saved in Millions

| Year	Amount
1995-96	$2.04
1996-97	$1.97
1997-98	$2.53
1998-99	$4.71
1999-00	$3.36
2000-01	$4.35
2001-02	$4.23

With lower rates than the U.S. Postal Service, Agency Mail saves millions of dollars annually for state and local agencies. The savings dipped slightly in 2001-02 because mail volume declined slightly.

Agency Mail First Class rate: .90 cents per pound.

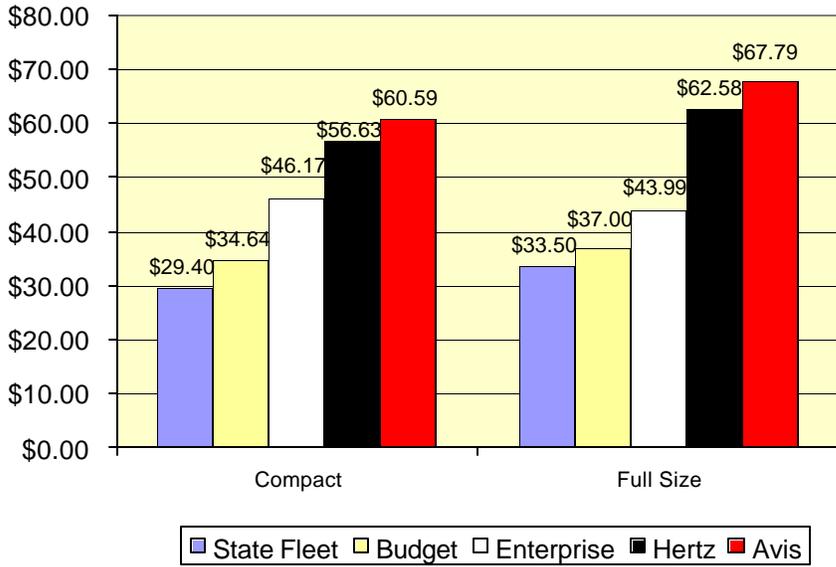**United States PosAgency Mail First Class rate: $3.82 per pound.**

Cost of the Top Twenty Five Office Supply Products Sold Compared to Private Sector Stores in FY 2002

	Amount
Central Supply	$270.03
Best of Benchmarks	$322.72
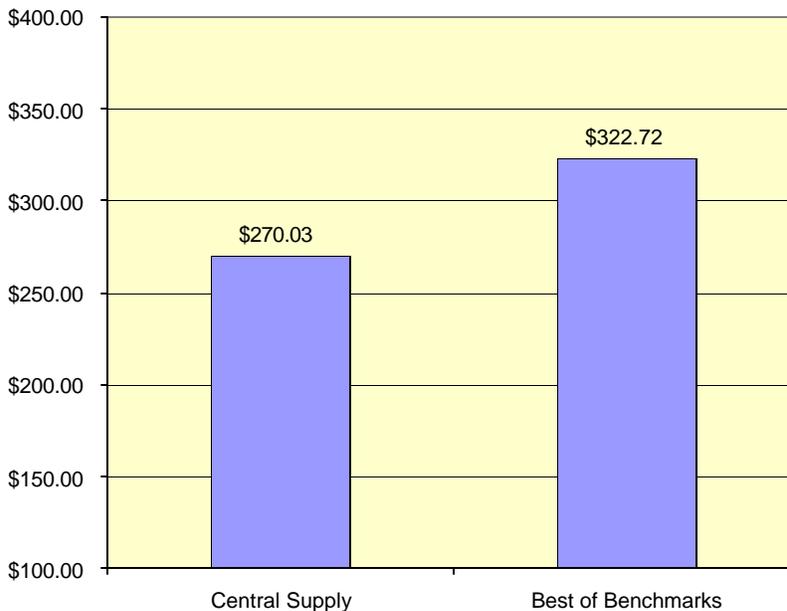
The Central Supply Warehouse consistently beats the prices of area competitiors on the 25 most popular items it sells. The "best of benchmarks" combines the best price for a given item from any of three area firms. Even if a customer shopped for the lowest price at each location, Central Supply's overall price for the 25 items is 22 percent lower.

State Fleet Daily Motor Pool Rates
Compared to Private Sector Rates
(Average Motor Pool Trip of 110 Miles)

(Gas and insurance included in State Fleet rate but not in the private sector rates)

Compact
- State Fleet: $29.40
- Budget: $34.64
- Enterprise: $46.17
- Hertz: $56.63
- Avis: $60.59

Full Size
- State Fleet: $33.50
- Budget: $37.00
- Enterprise: $43.99
- Hertz: $62.58
- Avis: $67.79

Legend: ■ State Fleet ■ Budget ■ Enterprise ■ Hertz ■ Avis

General Services' State Fleet Management benchmarks the cost it charges for a daily rental against the private market rate. Fleet's rates have consistently been been well below the rates charged by large national rental companies.

State Fleet Accident Frequency Rate per Million Miles Driven

Accident Frequency Rate per Million Miles:
- 1996: 12.19
- 1997: 11.38
- 1998: 12.07
- 1999: 13.00
- 2000: 11.27
- 2001: 10.38
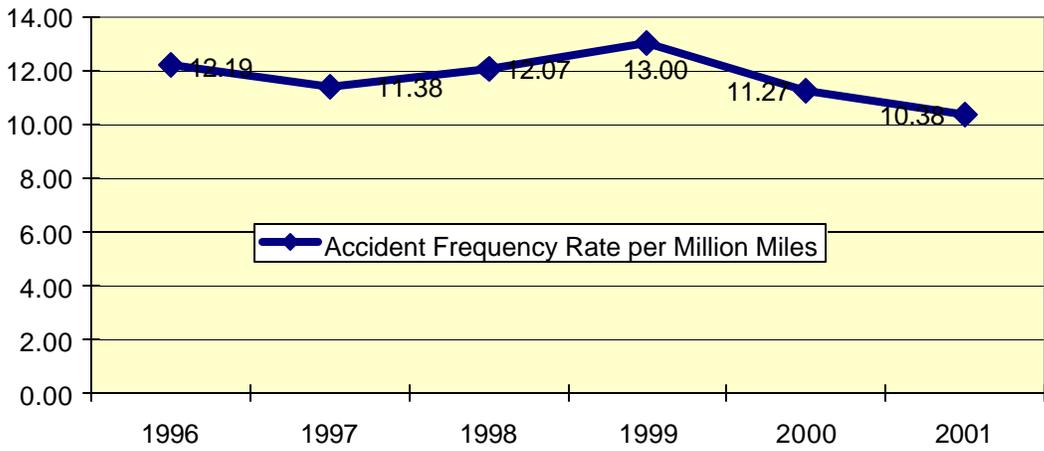
The State Fleet Management Section operates a comprehensive safety training program for state employees who drive regularly as part of their job. Reducing accidents saves the state money by lowering the cost of vehicle repairs, insurance claims by other drivers and lost work because of injuries. The accident rate has declined for two straight years.

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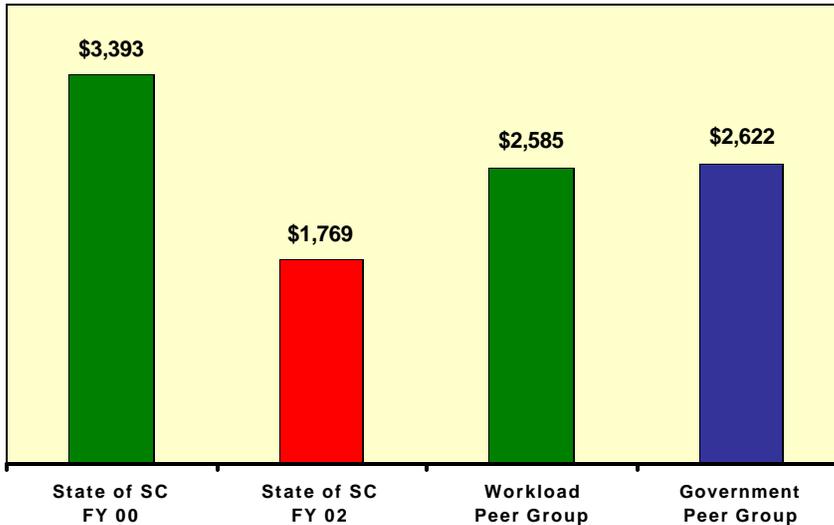# Number of Buildings Served by Statewide Building Services
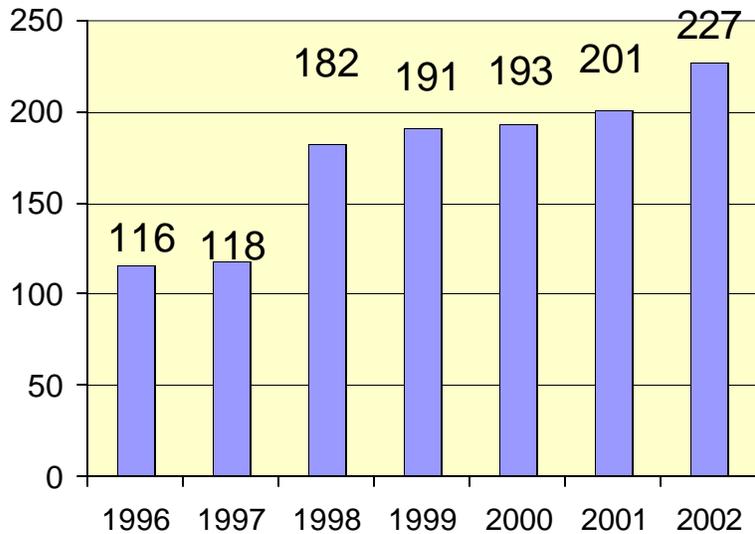
Statewide Building Services is a voluntary program that offers an economical facilities maintenance programs for agencies outside the Columbia area. The program grows only by winning customers with good rates and service. The number of buildings served has nearly doubled in seven years.

Year	Buildings
1996	116
1997	118
1998	182
1999	191
2000	193
2001	201
2002	227

Proceeds Returned to State Agencies from Surplus Property Sales
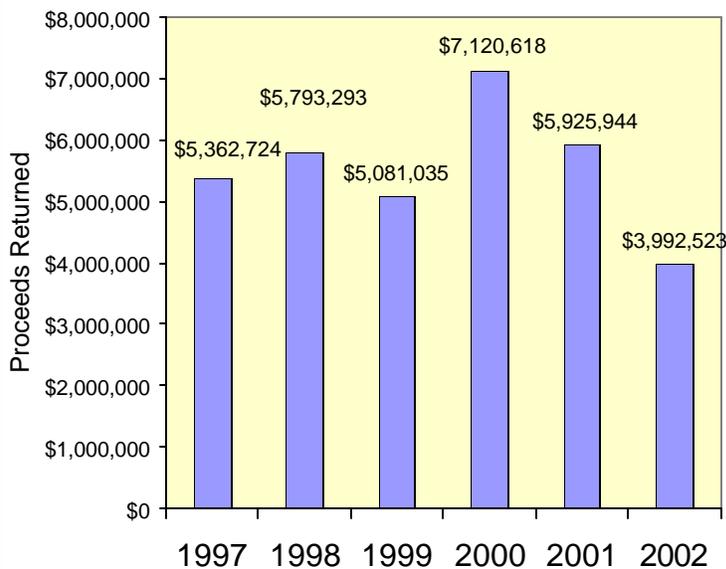
The Surplus Property Warehouse centrally manages the disposal of all state property and returns the proceeds, less overhead costs, of sold items to the donor agency. The amount returned has declined because agencies are replacing fewer items - particularly automobiles - in response to recent funding reductions.
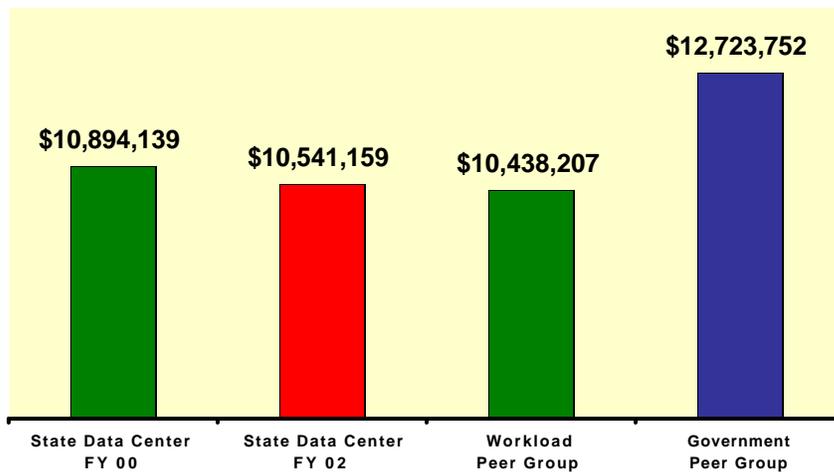
Proceeds Returned

Year	Proceeds Returned
1997	$5,362,724
1998	$5,793,293
1999	$5,081,035
2000	$7,120,618
2001	$5,925,944
2002	$3,992,523

Annual Expense To Support Each PC User
Division Of The CIO Compared To Peer Groups

$3,393 — State of SC FY 00
$1,769 — State of SC FY 02
$2,585 — Workload Peer Group
$2,622 — Government Peer Group

Expense Components Include: Personnel, Hardware, Software, LAN/Shared Expenses and Outsourced Services

The CIO's PC support costs are well below the $2,585 cost for private sector peer groups and the $2,622 for government peer groups as calcuated in the Gartner Technology Review. The CIO's costs decreased dramatically since 2000.

Cost of Mainframe Data Center Operations
State Data Center Compared To Peer Groups

$10,894,139 — State Data Center FY 00
$10,541,159 — State Data Center FY 02
$10,438,207 — Workload Peer Group
$12,723,752 — Government Peer Group

Expense Components Include: Personnel, Hardware, Software and Disaster Recovery

The CIO Division's cost of mainframe operations is 17 percent below the government peer group as reported in the Gartner Group Information Technology Overview.

State CIO IT Cost Benchmarking Study

The State Chief Information Officer Division hired the Gartner Group, an independent, internationally recognized consulting firm, to conduct a peer review benchmarking study on the CIO Division's deployment of technology. The Division's work was compared to two databases – one containing private sector businesses and one containing federal, state and local governments. The CIO:

- Spent 1 percent more than private sector peer groups but 20.7 percent less than government sector peers to support mainframe data center operations.
- Rated '*Best in Class'* for local telephone service due to lower costs in hardware, software, and access cost components.
- Scored in the top 10 percent cost efficient performers in Gartner's client database and among those who have achieved the most significant economies of scale for local telephone service.
- Spent 44.3 percent less than the private sector peers and 36.9 percent less than government peers to support local telephone services.
- Spent 31.6 percent less than private sector peers and 32.6 percent less than government peers to support the distributed computing environment.

## Average Monthly Charge for CIO-Provided Local Telephone Service

Agencies realized a savings of $3,545,229 for local telephone service in in 2001-02 because the State CIO reduced rates.
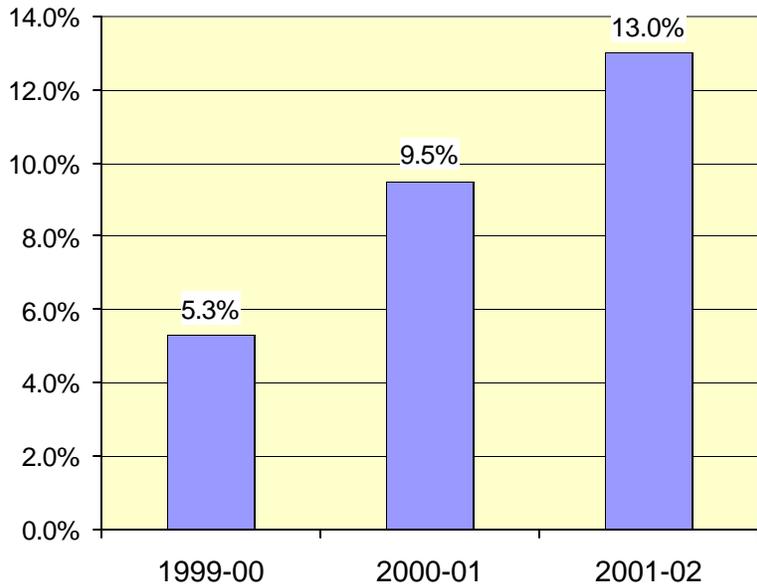
Average Cost Per Minute for Long Distance Calls

Agencies saved approximately $410,000 through rate reductions implemented in November 2001.

Cost per Minute (y-axis)

- FY98: $0.105
- FY99: $0.089
- FY00: $0.089
- FY01: $0.089
- FY02: $0.065

Materials Management Office Customer Satisfaction
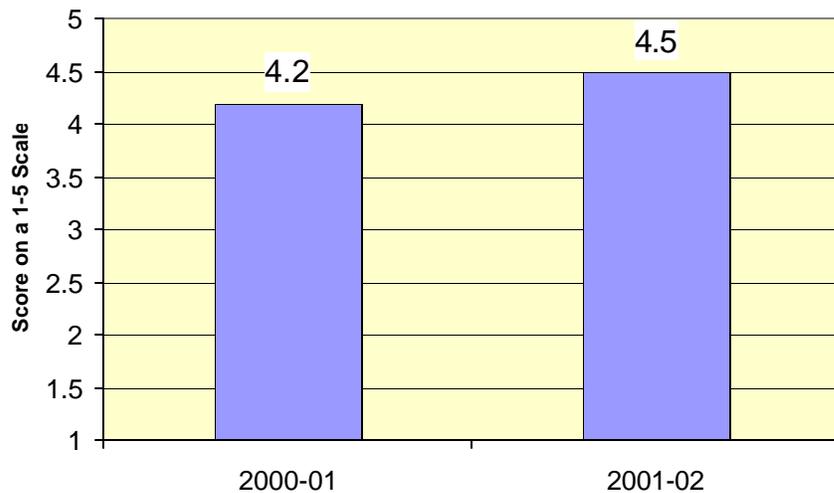
MMO's customer satisfaction increased in 2001-02.

Score on a 1-5 Scale (y-axis)

- 2000-01: 4.2
- 2001-02: 4.5

Percent Reduction From Original Bid Achieved Via MMO Cost Negotiations

Year	Percent
1999-00	5.3%
2000-01	9.5%
2001-02	13.0%

The Materials Management Office frequently enters into negotiations with firms that have been initially selected as the winning firm in a state procurement. These negotiations save procuring agencies millions of dollars each year. The amount saved fluctuates based on the size of individual contracts and overall state procurement activity.

Savings Via State Term Contract Process

| Year	Savings	Percentage Discount From Individual Purchase
1997-98	$43,676,609	20%
1998-99	$87,701,726	31%
1999-00	$49,204,917	28%
2000-01	$48,204,917	30%
2001-02	$43,635,000	31%
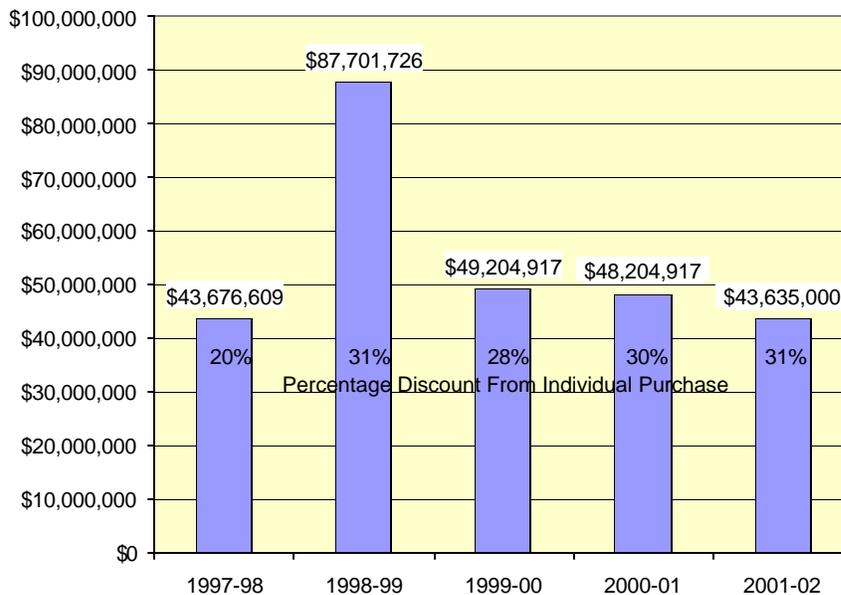
State term contracts allow businesses to offer their best prices for a good or service to all of state government for a fixed period of time. Agencies use these contracts on an as-needed basis. By pooling the state's buying power, state term contracts save agencies millions of dollars annually.
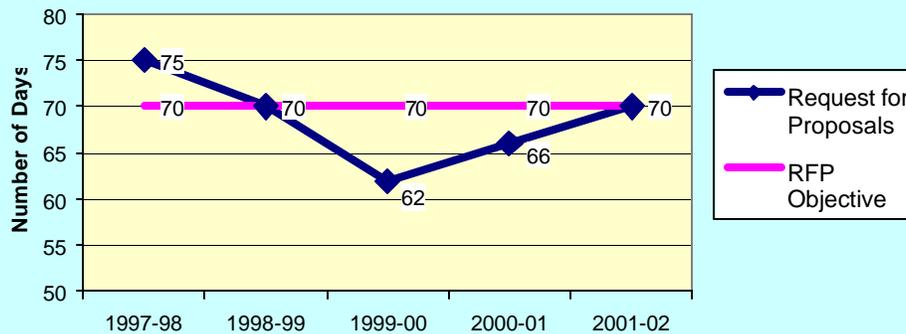
Materials Management Office Cycle Times

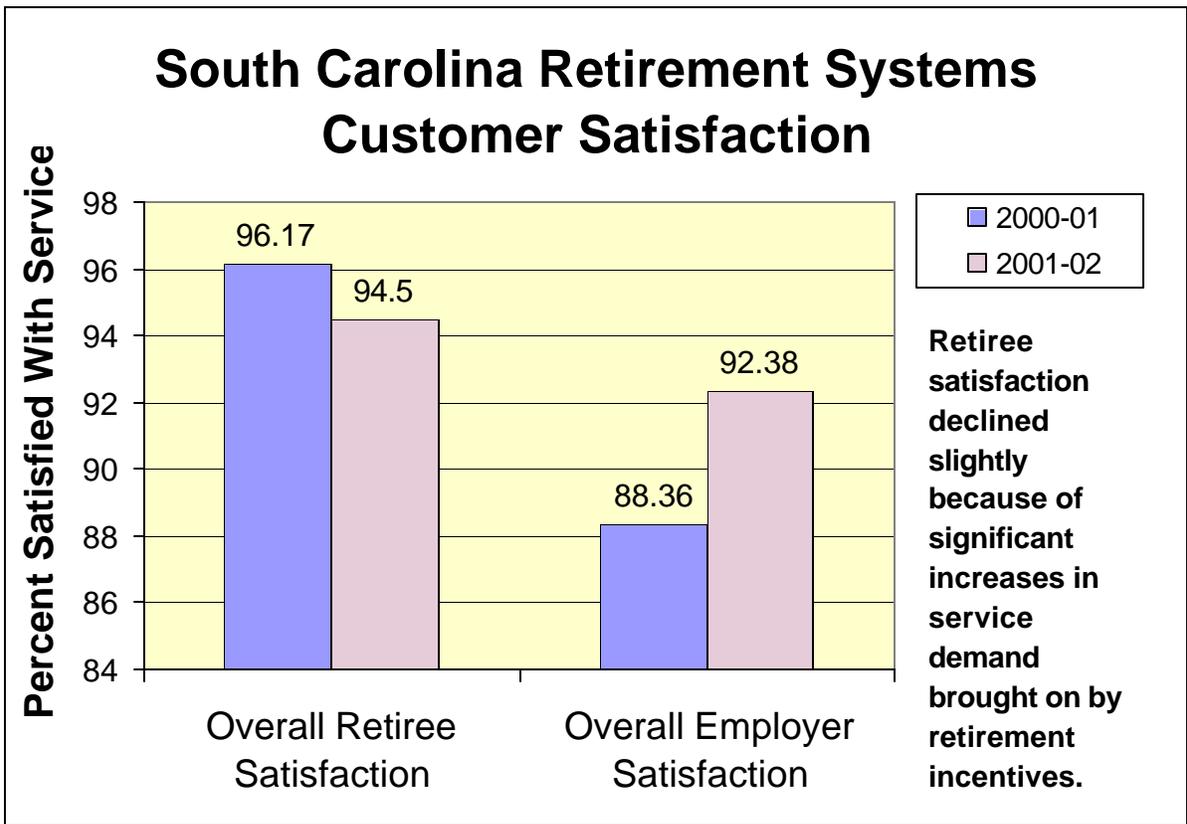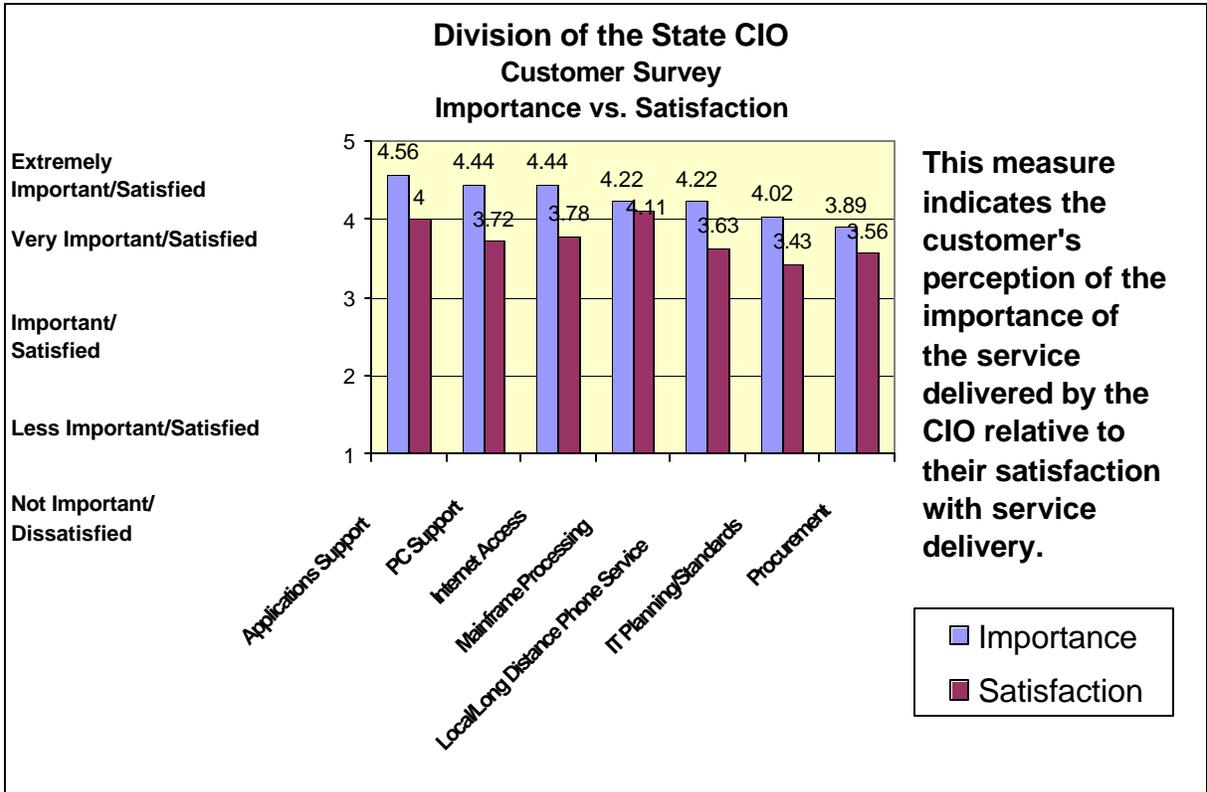## Invitation for Bid Cycle Time
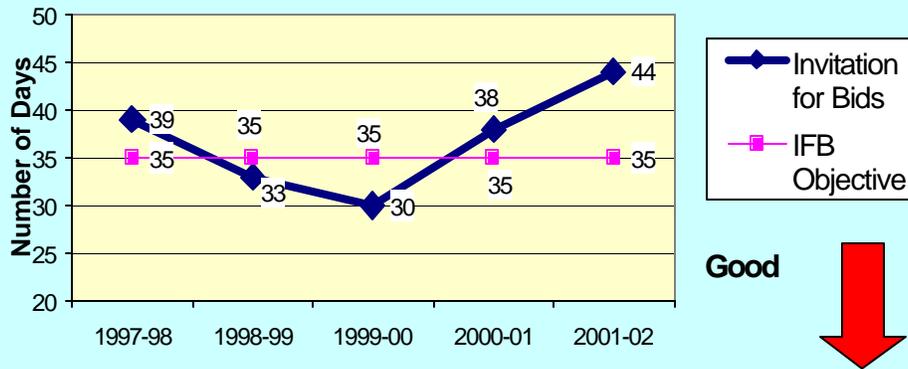
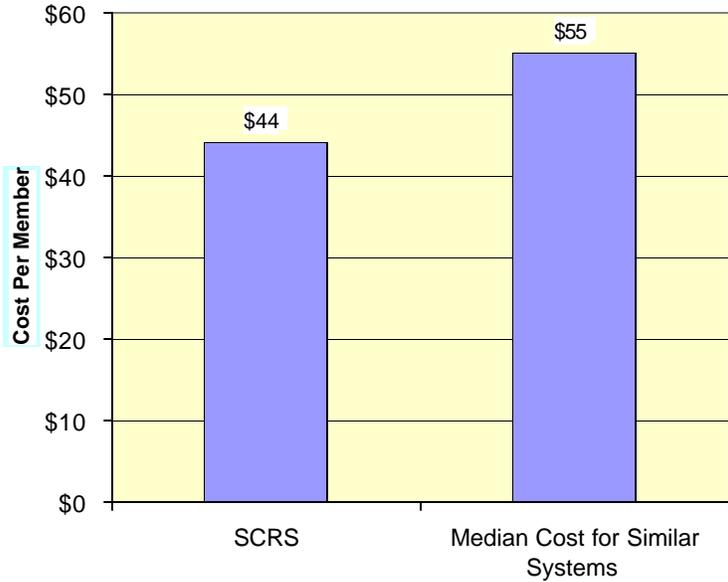## Request for Quotes Cycle Time
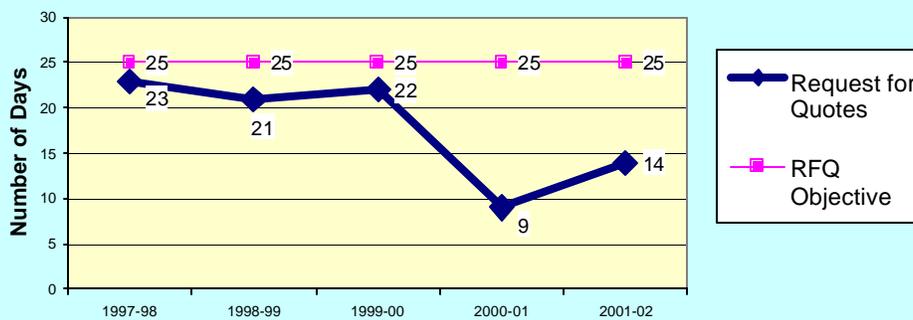
Request for Proposals Cycle Time

Cycle time for the three major methods of procurement all rose in 2001-02 due to MMO staff vacancies as a result of general fund budget reductions.

Division of the State CIO
Customer Survey
Importance vs. Satisfaction

Extremely Important/Satisfied

Very Important/Satisfied

Important/ Satisfied

Less Important/Satisfied

Not Important/ Dissatisfied

Category	Importance	Satisfaction
Applications Support	4.56	4
PC Support	4.44	3.72
Internet Access	4.44	3.78
Mainframe Processing	4.22	4.11
Local/Long Distance Phone Service	4.22	3.63
IT Planning/Standards	4.02	3.43
Procurement	3.89	3.56

- Importance
- Satisfaction

This measure indicates the customer's perception of the importance of the service delivered by the CIO relative to their satisfaction with service delivery.

South Carolina Retirement Systems Customer Satisfaction

Percent Satisfied With Service

	2000-01	2001-02
Overall Retiree Satisfaction	96.17	94.5
Overall Employer Satisfaction	88.36	92.38

Retiree satisfaction declined slightly because of significant increases in service demand brought on by retirement incentives.

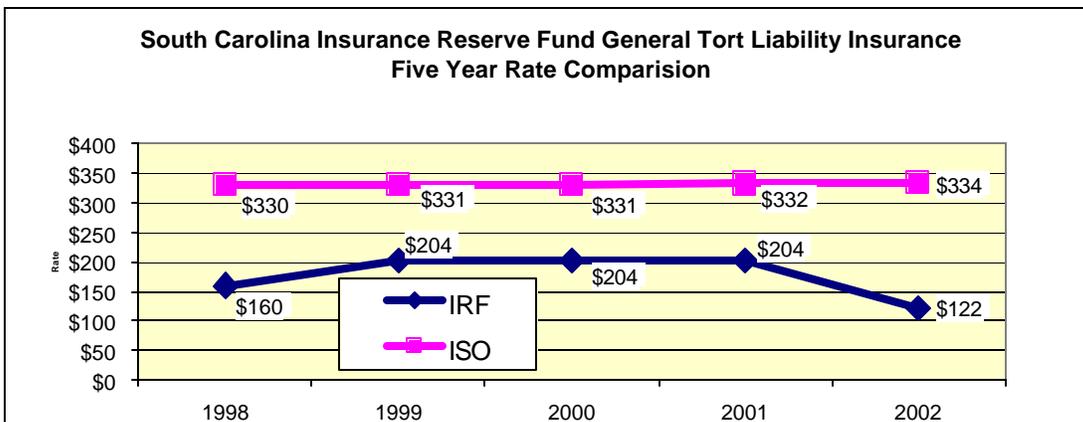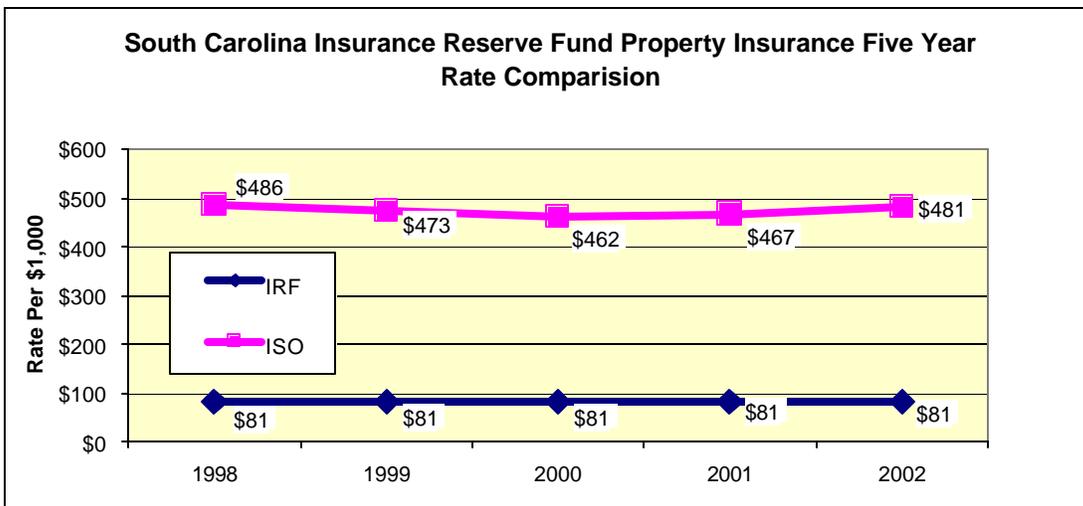# Administrative Cost Per Member of South Carolina Retirement Systems, 2002

A benchmarking analysis by Cost Effectiveness Measurement, Inc found that in 2002 the SCRS operates at the 11th lowest cost per member while providing service at the 7th highest level among the 30 pension plans in the analysis.

Comparison of Retirement Claims Processed by South Carolina Retirement Systems
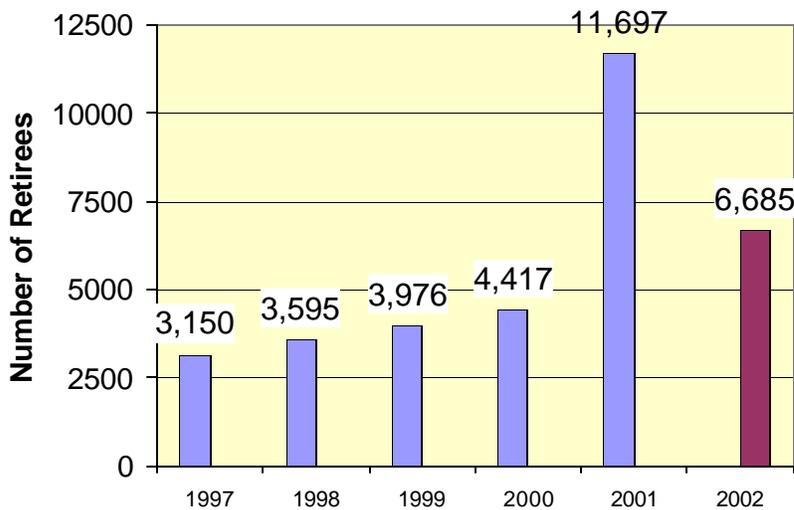
The South Carolina Retirement Systems has seen its workoad increase dramatically in the last two years due to 28-year retirment, the TERI plan and other downsizing incentives. Despite the higher demand, the SCRS workforce has remained relatively constant.

**The Insurance Reserve Fund regularly compares its premiums to data collected by the Insurance Service Organization, the property and casualty insurance industry's leading supplier of statistical, actuarial, underwriting, and claims data. The IRF's premiums continue to be well below industry averages.**

South Carolina Insurance Reserve Fund Automobile Liability Insurance Five Year Comparsion

Premium

Year	IRF	ISO
1998	$557	$833
1999	$555	$839
2000	$595	$836
2001	$453	$842
2002	$484	$847

South Carolina Insurance Reserve Fund Property Insurance Five Year Rate Comparision

Rate Per $1,000

Year	IRF	ISO
1998	$81	$486
1999	$81	$473
2000	$81	$462
2001	$81	$467
2002	$81	$481

South Carolina Insurance Reserve Fund General Tort Liability Insurance Five Year Comparision

Rate

| Year	IRF	ISO
1998	$160	$330
1999	$204	$331
2000	$204	$331
2001	$204	$332
2002	$122	$334

South Carolina Insurance Reserve Fund
Losses and Loss Adjusted Expense Reserves to
Policyholder Equity
## (Acceptable Range 1.0 - 1.5)
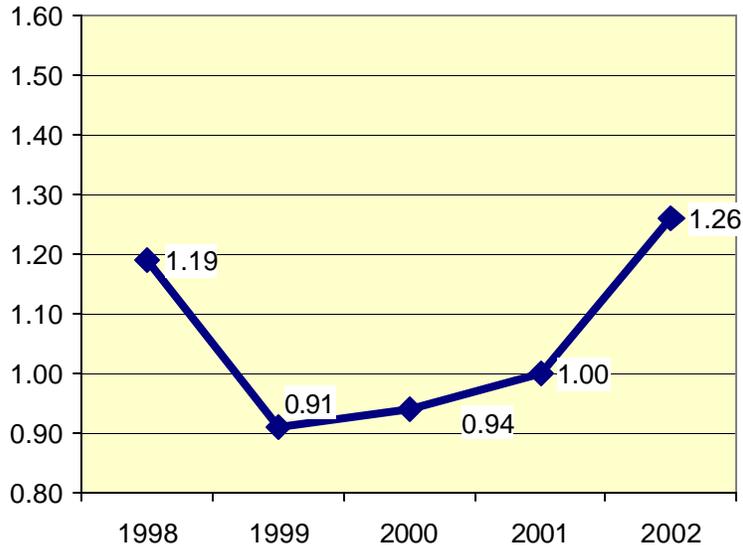
The Insurance Reserve fund uses the ratio of reserves to equity as a primary measure of financial strength. A target reserve-to-policyholders' equity range of 1.0 to 1.5 was selected from computer models as a safe financial range to insure adequate financial capacity for the IRF.

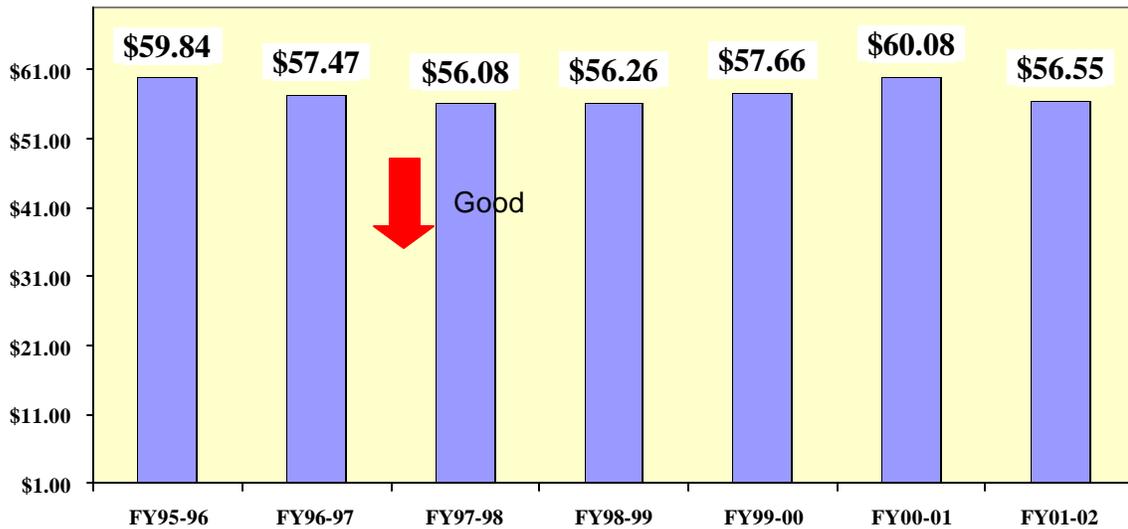# Percentage of Fiscal Impact Statements
Prepared in 14 Days or Less
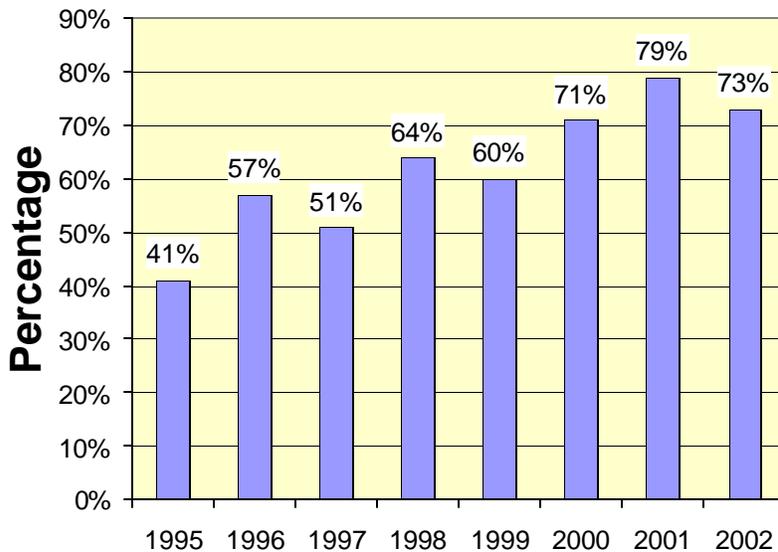
The State Budget Office's ability to produce fiscal impct statements for proposed legislation declined in 2001-02 as a result of staffing reductions in response to state general fund cuts. However, the rate remains higher than it was from 1994-2000.

Office of Human Resources Overall Customer Satisfaction

Score on 1-5 Scale with 5 as Excellent

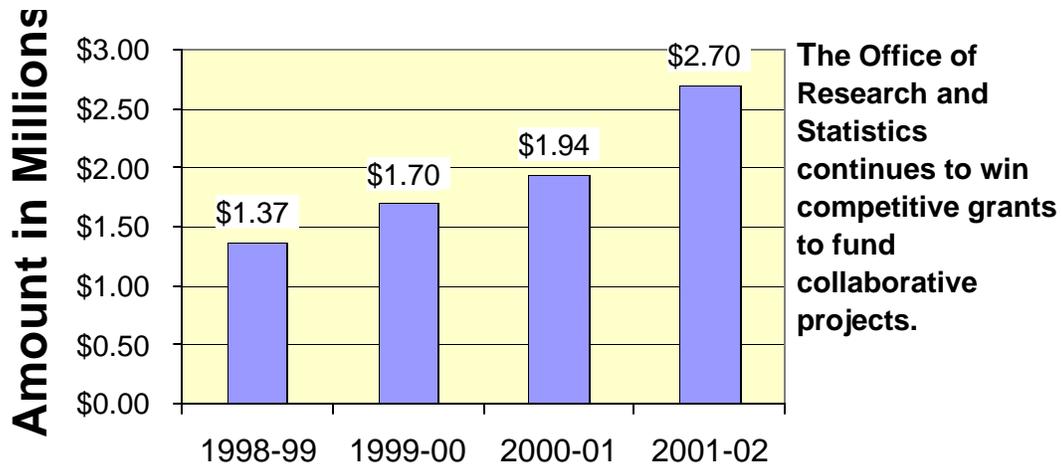| 1999-00	2000-01	2001-02
4.08	4.12	4.26
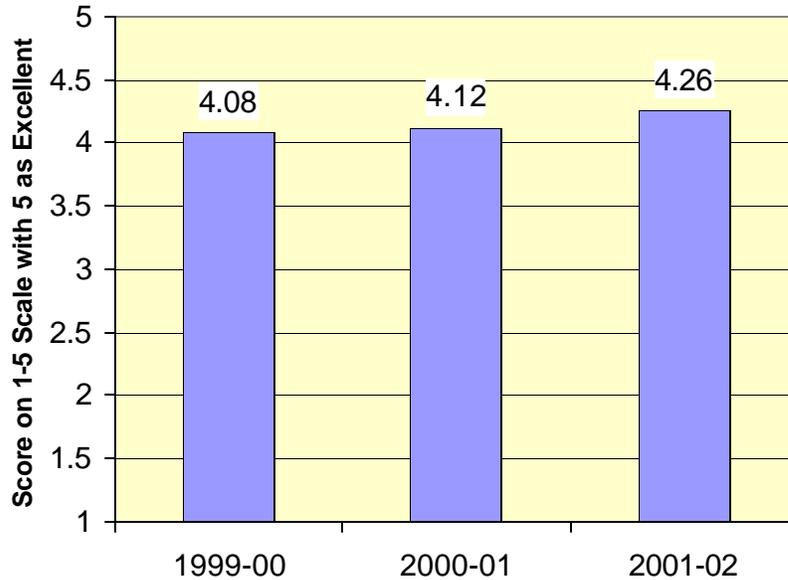
Customer satisfaction scores increased in four of five categories for the Office of Human Resources in 2001-02, indicating the office is doing a better job of meeting the needs of agencies and other stakeholder groups.

Office of Human Resources Cost per Permanent State Employee

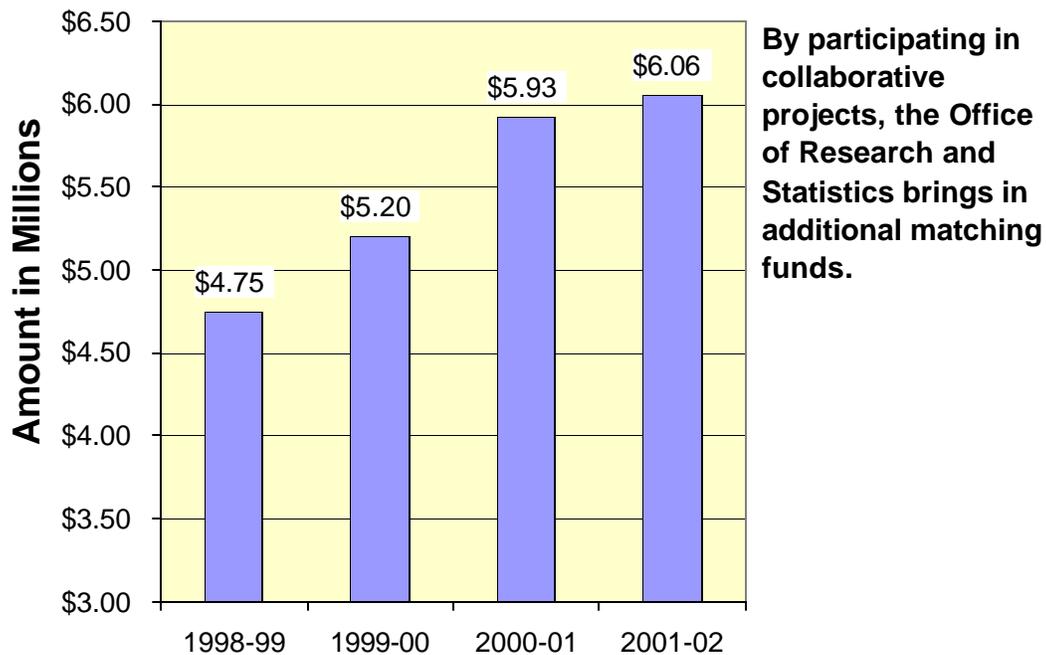| FY95-96	FY96-97	FY97-98	FY98-99	FY99-00	FY00-01	FY01-02
$59.84	$57.47	$56.08	$56.26	$57.66	$60.08	$56.55

Good

The cost of OHR per state employee is the lowest it has been since 1998-99 even while the number of OHR employees dropped from 74 in 1995-96 to 43 today.

Office of Research and Statistics New Grant Funding

Amount in Millions

$3.00	
$2.50	$2.70
$2.00	
$1.50	$1.94
$1.00	$1.70
$0.50	$1.37
$0.00	

1998-99   1999-00   2000-01   2001-02

The Office of Research and Statistics continues to win competitive grants to fund collaborative projects.

Office of Research and Statistics Funds Leveraged

Amount in Millions

$6.50	
$6.00	$6.06
$5.50	$5.93
$5.00	$5.20
$4.50	$4.75
$4.00	
$3.50	
$3.00	

1998-99   1999-00   2000-01   2001-02

By participating in collaborative projects, the Office of Research and Statistics brings in additional matching funds.
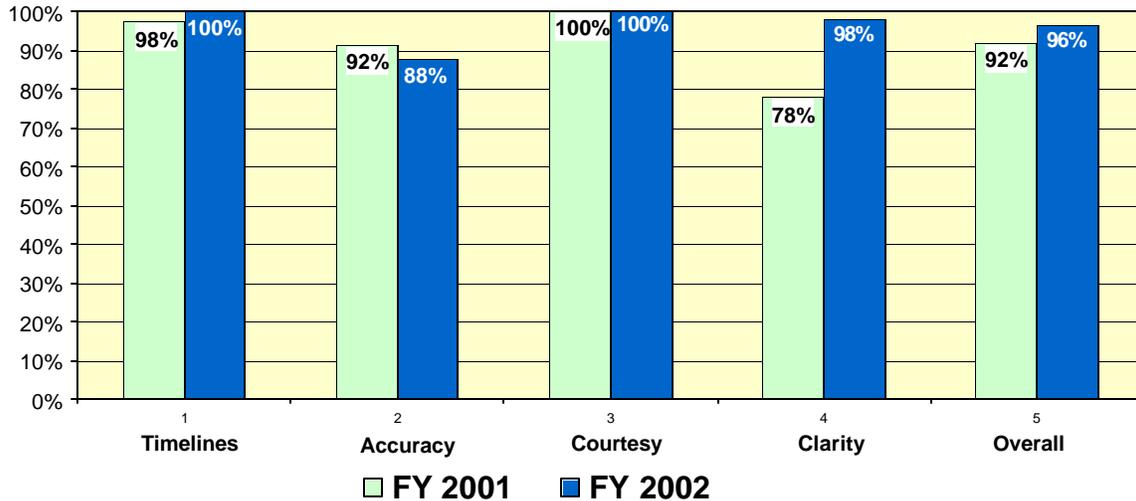
Employee Insurance Program
Overall Benefits Administrators Survey Results
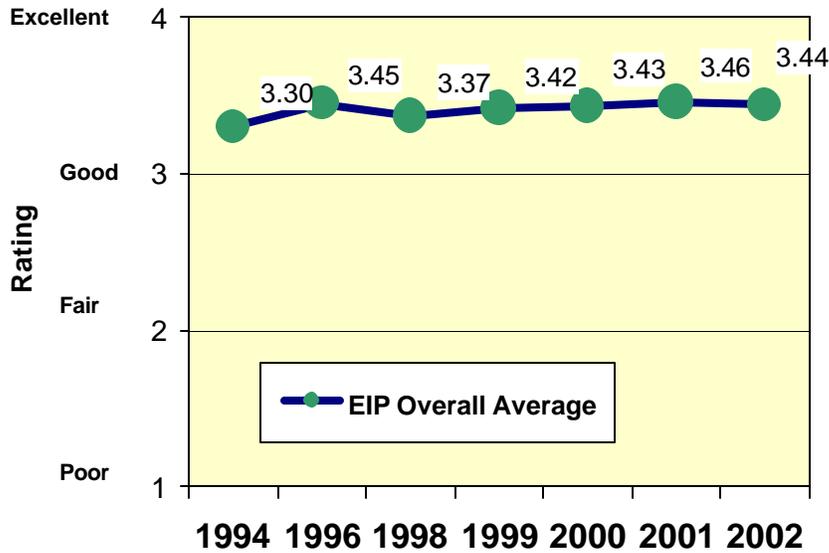
Benefits administrators in state and local agencies have given the Employee Insurance Program consistently high satisfaction ratings.

Rating scale: Excellent (4), Good (3), Fair (2), Poor (1)

EIP Overall Average by year:
- 1994: 3.30
- 1996: 3.45
- 1998: 3.37
- 1999: 3.42
- 2000: 3.43
- 2001: 3.46
- 2002: 3.44

Legend: ● EIP Overall Average

Employee Insurance Program Subscriber Satisfaction
(focus groups, interviews and written surveys)

| Category	FY 2001	FY 2002
Timelines	98%	100%
Accuracy	92%	88%
Courtesy	100%	100%
Clarity	78%	98%
Overall	92%	96%

The satisfaction of Employee Insurance Program subscribers increased significantly in 2001-02

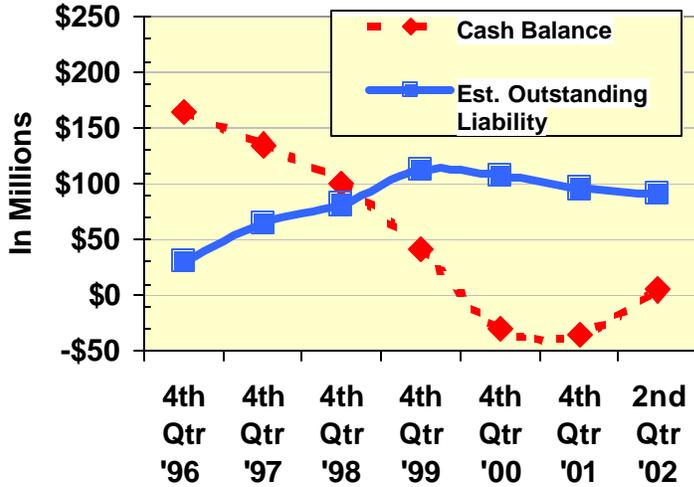# Combined Employee and Employer Premiums for State Health Plan
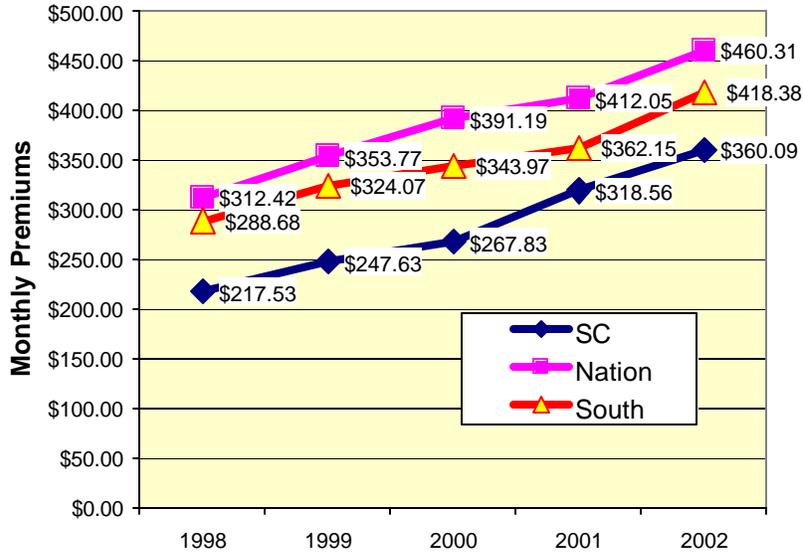
Despite rising health care costs, the combined employee and employer premium for the State Health Plan continues to remain well below regional and national averages.

Chart data:

Monthly Premiums by year (SC, Nation, South):
- 1998: SC $217.53, Nation $312.42, South $288.68
- 1999: SC $247.63, Nation $353.77, South $324.07
- 2000: SC $267.83, Nation $391.19, South $343.97
- 2001: SC $318.56, Nation $412.05, South $362.15
- 2002: SC $360.09, Nation $460.31, South $418.38

Average Weighted Employee Premiums for State Health Plan Compared to Regional and National Averages
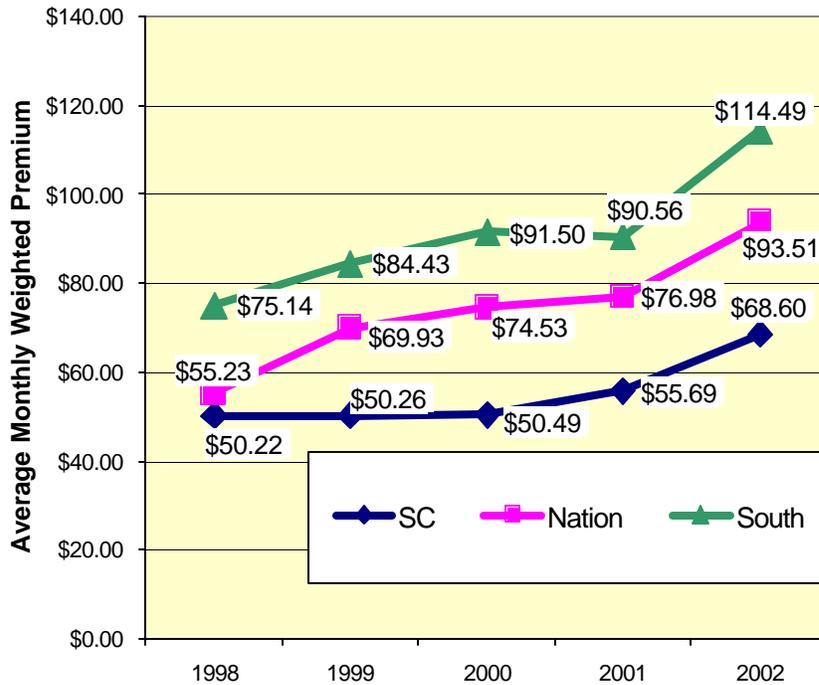

While State Health Plan employee premiums have risen recently due to increasing medical costs, they still remain far below the weighted rates paid by members of similar government employee plans in the South and nationwide.

Chart data:

Average Monthly Weighted Premium by year (SC, Nation, South):
- 1998: SC $50.22, Nation $55.23, South $75.14
- 1999: SC $50.26, Nation $69.93, South $84.43
- 2000: SC $50.49, Nation $74.53, South $91.50
- 2001: SC $55.69, Nation $76.98, South $90.56
- 2002: SC $68.60, Nation $93.51, South $114.49

State Health Plan Cash Balance vs. Estimated Outstanding Liability: 1996 - 2002

Because the statutory requirement to maintain reserves has been suspended for 2002-03, the State Health Plan has no financal reserves. Since 1999, the amount of cash on hand has been less than the total of outstanding health insurance claims being processed. Cash flow management has allowed all claims to be paid on time.
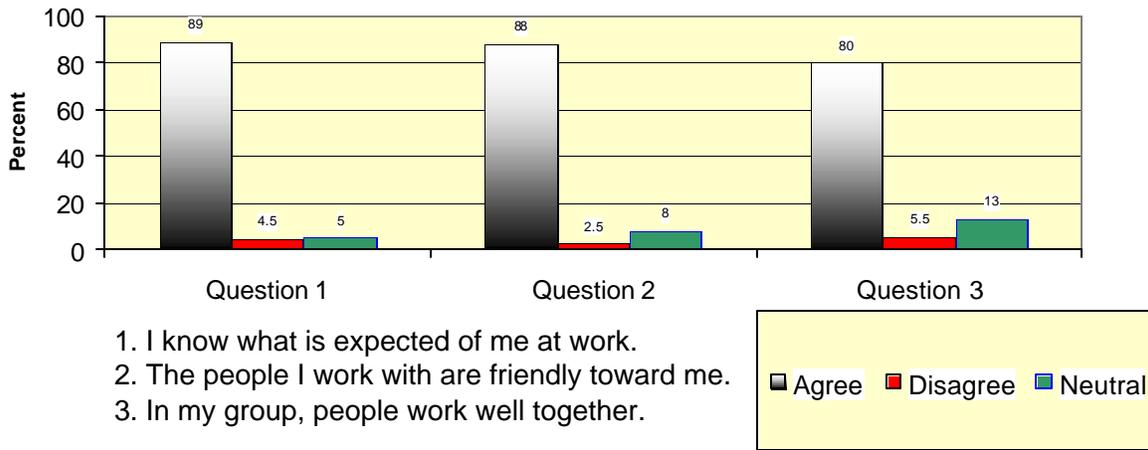
Office of Local Government Outstanding Loan Principal
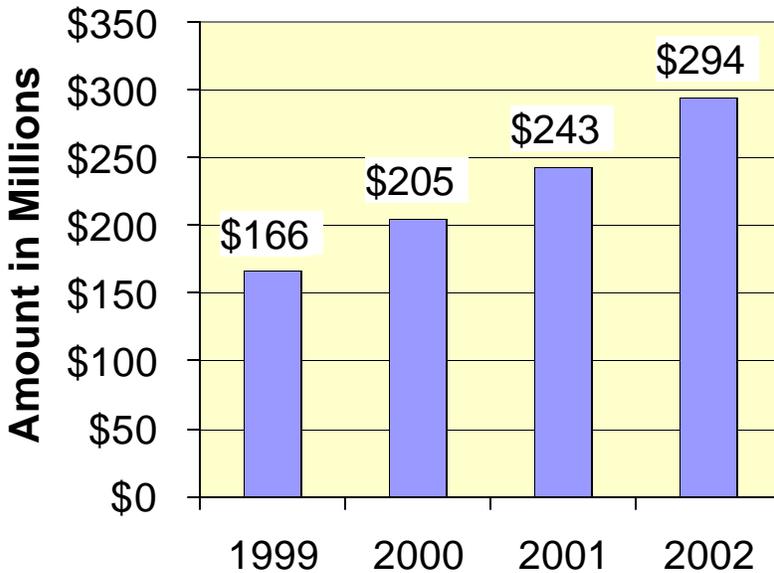
The Office of Local Government has consistently increased the amount of loan assistance it has made available to local entities for water and sewer projects

The Board conducted its first employee satisfaction survey this fiscal year. The survey was conducted using an Internet and paper-based form. The questions were created internally and evaluated by the Office of Research and Statistics.

BCB Employee Survey Top Three Positive Responses

1. I know what is expected of me at work.
2. The people I work with are friendly toward me.
3. In my group, people work well together.

Agree   Disagree   Neutral

BCB Employee Survey Top Three Areas for Improvement

1. In the past 6 months, someone at work has talked to me about my progress.
2. There is someone at work who encourages my development.
3. At work, my opinions seem to count.

Agree   Disagree   Neutral