SOUTH CAROLINA

BUDGET & CONTROL BOARD

We Make Government Better

2002-2003 Annual Accountability Report

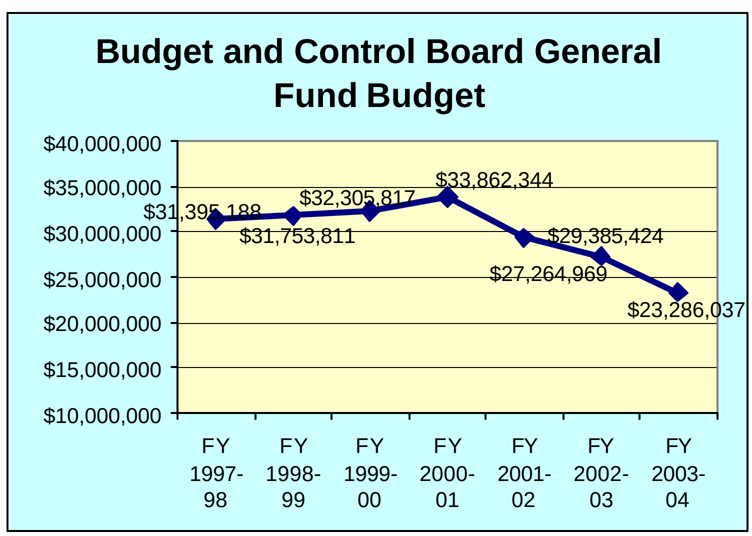
Executive Summary

The fundamental purpose of Budget and Control Board programs 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 vision statement: “We Make Government Better.” In 2002-03, the Board continued to deliver on this promise while weathering unprecedented budget reductions.

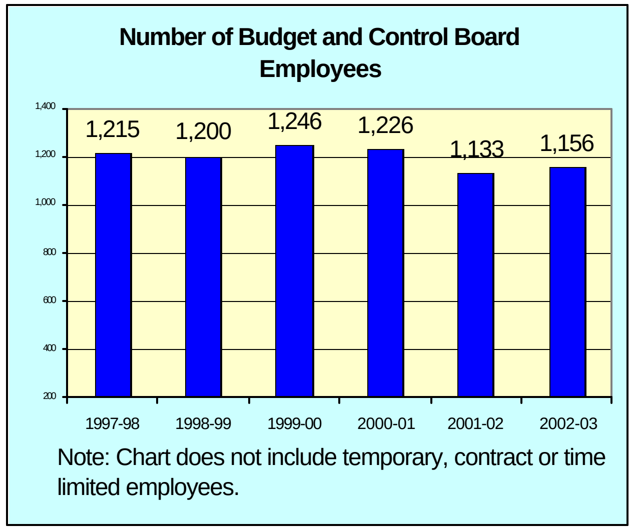
Budget and Control Board employees prepared temporary offices for Governor-elect Mark Sanford after he was elected in November.

During the year the Board:

- Played a key role in assisting newly-elected statewide officials in transitioning into office. The Board provided office space, clerical staff and technical assistance to new officials as they prepared to take office in January 2003.
- Continued to be an organization with many functions performed by the private sector. Many custodial, fleet repair, building maintenance and retirement equity investment functions are performed by the private sector.
- Saved state agencies $4 million annually by reducing rates for local and long distance phone calls as well as usage of State Data Center services.
- Took a leadership role in helping agencies plan for the future state government workforce, which faces tremendous challenges in coming years as a generation of leaders and experienced managers reach retirement age.
- Made substantial progress in identifying and repairing structures that are at risk because of faulty fire resistive treated wood. All at-risk buildings have been identified and 60 percent of necessary repairs have been made. Efforts to recover these costs from firms that manufactured or installed the products are continuing to be successful.
- The Board’s Information Technology procurement unit facilitated South Carolina’s membership in a interstate cooperative purchasing group, the Western State Contracting Alliance, to lower the cost for personal computers and peripherals for state agencies and political subdivisions.
- Held graduation for the first class of the Leadership Academy, a group of rising Board employees who have



been identified as having excellent potential to assume leadership positions within the agency. Class members learned about all aspects of Board operations and other management skills.



- Implemented improvements to information and services offered on the Internet. The Board's homepage was redesigned to make it easier for customers to find essential information about the agency's services. A special site for procurement information was also launched.
- Ensured its employees received continuous training. All employees have now received a minimum of three hours of training in principles of continuous improvement and those who work directly with customers received a six-hour customer service program. All managers also attended a four-hour leadership development program on diversity.
- Launched a new marketing program in the General Services Division that led to increased sales for Surplus Property and new customers for Agency Mail.
- Assisted ten counties in completing digital remapping by providing technical guidance from the Office of Research and Statistics. The 10 remapped counties represents the most ever in a single year.
- Again staffed the U.S. Federal Court in the 2002 redistricting litigation, saving thousands of dollars over hiring a private consultant.
- Negotiated new contracts for Optional and Dependent Life Insurance that realized an across-the-board rate reduction of 12 percent with some increases in coverage.
- Reopened the Confederate Relic Room and Museum in new a new home in the Columbia Mills Building. The museum— a joint project of the museum staff and building experts from the Division of General Services—was awarded a certificate of achievement by the South Carolina Federation of Museums.

Budget and Control Board Key Challenges for 2003-04

Seek approaches for dealing with deferred maintenance on state buildings.

Improve internal Budget and Control Board IT efficiency.

Enhance workforce training to create a more agile workforce.

The past year was probably one of the most challenging in the history of the Budget and Control Board. The agency has experienced more than a 30 percent reduction in state funding since 2000-01. Not only has the Board continued to offer quality service, it has worked hard to offer advice and material support to all state agencies which are also facing financial strains.

We fully expect this situation to continue. 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. We must find ways to compensate these change leaders to a level commensurate with their contributions.

Guiding Principles of the Budget and Control Board

Vision

We Make Government Better

Mission Statement

The Budget and Control Board provides innovative leadership and a variety of services to government agencies to foster effective government.

Values

Quality Customer Services and Products

We consistently provide outstanding products and excellent customer services, as defined by our customers, and we strive for continuous improvement.

Innovation

We are receptive to and flexible with the changing environment and the evolving world of technology. We welcome challenges, embrace innovation, and encourage creativity.

Leadership

We strive to lead government through strategic and visionary approaches that are proactive, fair, and ethical.

Professionalism

We perform our work with honesty, integrity, and loyalty. We are committed to performance that is credible, thorough, competent, and worthy of customer confidence.

Employee Well-Being

We respect the individual contributions of each employee and endeavor to empower them with the needed resources for teamwork, shared pride and continuous learning.

An analysis of employee well-being surveys conducted during the last two years indicates that Board management has an opportunity to improve communication with the workforce and needs to focus on employee development and learning.

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 entities 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 govemment 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 Mark Sanford, 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 carries out its duties through the Executive Director and various Board offices.

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

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 state and local employees. The Board's key suppliers include:

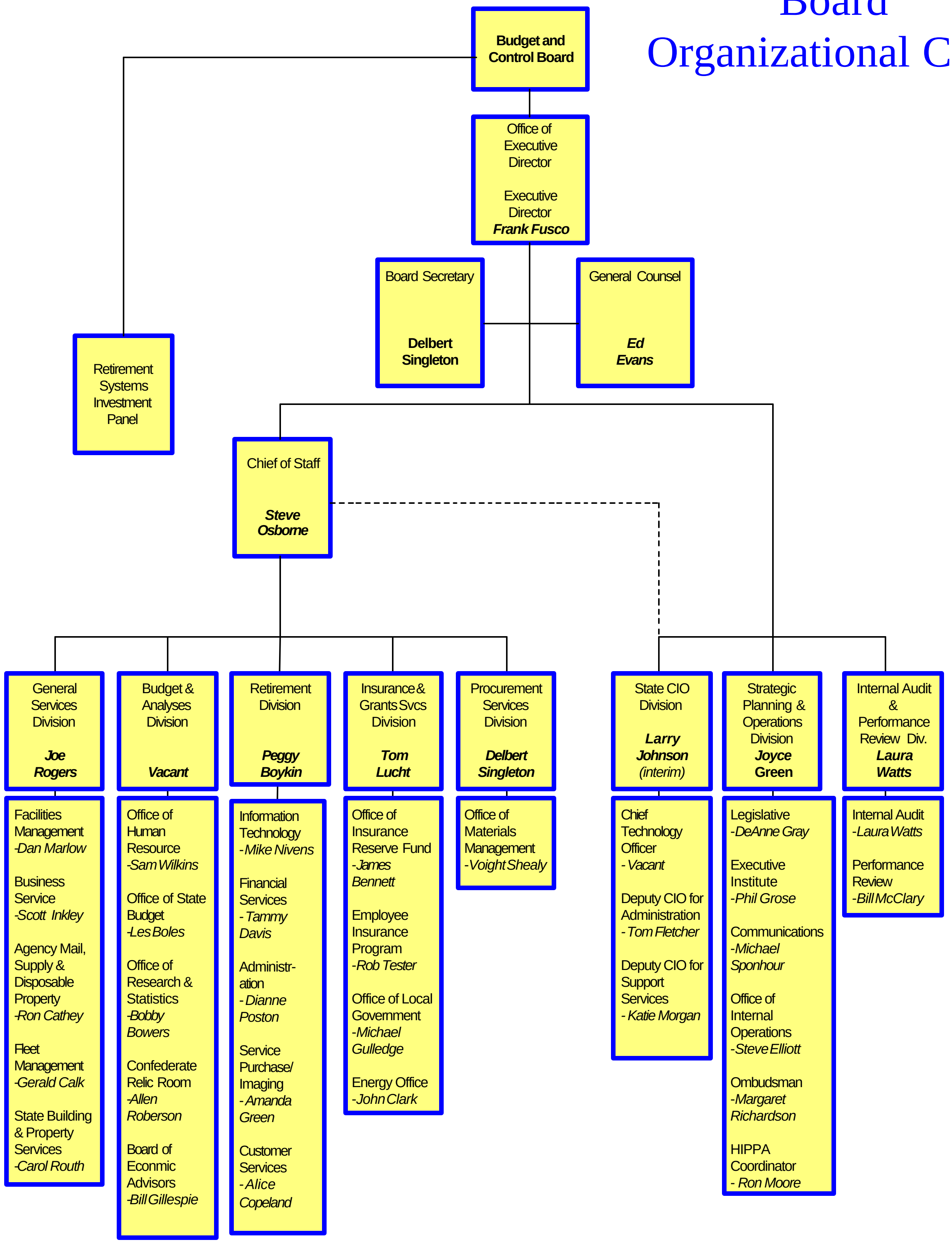
- 27,000 vendors who are registered with the Materials Management Office, and any other business that desires to seek a state contract.
- State agencies, cities, counties and school districts who remit contributions, enroll members and provide verification information to the Retirement Systems and the 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 94,541 retirees and beneficiaries and 230,203 active employees.
- The General Services Division maintains 82 state buildings, including the State House and the Governor's Mansion, as well as 229 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 $18 billion in property, 169,000 state and local government employees, 38,000 vehicles, including the state school bus fleet, 17 hospitals, and over 1,600 governmentally-employed physicians and dentists.
- 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 leading the state's workforce planning efforts by creating a group of agency-head appointed workforce planning champions.
- 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.
- Through partnerships and educational programs, the State Energy Office improves public and sector energy efficiency. The 12 energy conservation loans it issued in 2002-03 are expected to generate $12 million in energy savings over their useful lives.
- 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 has moved to a new facility with a completely new display about the military history of South Carolina.
- The Executive Institute provides high-quality executive development training to state agency heads, rising leaders from state and local agencies and the private sector.

Budget and Control Board Organizational Chart



Office	Employees	Location
Executive Office	5	Wade Hampton Building
General Counsel	7	1201 Main Street
General Services	289	1201 Main Street, 921 S. Main. 1022 Senate St., 1441 Boston Ave., 1942 Laurel St., DSS Building, S State House
State Budget	18	1201 Main Street
Research and Statistics	51	Dennis Building, 1919 Blanding St, 5 Geology Rd.
Human Resources	41	1201 Main Street., 2221 Devine Street
Economic Advisors	6	Dennis Building
Confederate Relic Room	4	301 Gervais Street
Retirement Systems	180	202 Arbor Lake Drive
Insurance & Grants Services Division	2	1201 Main Street
Employee Insurance Program	76	1201 Main Street
Insurance Reserve Fund	52	1201 Main Street
Local Government	11	1122 Lady Street
Energy Office	17	1201 Main Street
Materials Management	37	1201 Main Street
State CIO	297	1201 Main St., 4430 Broad River Road, The Citadel 1026 Sumter Street, Wade Hampton Building
Strategic Planning	7	Wade Hampton Building
Internal Operations	44	1201 Main Street
Executive Institute	5	1401 Senate Street
Internal Audit & Performance Review	7	1201 Main Street
TOTAL EMPLOYEES	1,156	(Note: Numbers are permanent employees only)

Key External Customers	State Agencies	Governor's Office	General Assembly	Local Gov-ernment/ Schools	Higher Education	State/ Local Employees
General Services	X	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

	2001-02 Actual Expenditures		2002-03 Actual Expenditures		2003-04 Appropriations Act	
Major Budget Categories	***Total Funds***	***General Funds***	***Total Funds***	***General Funds***	***Total Funds***	***General Funds***
Personal Services	$53,985,372	$12,308,475	$50,986,638	$10,145,751	$53,483,733	$8,969,425
Other Operating	$70,703,625	$5,621,640	$72,699,176	$5,733,666	$96,706,151	$5,250,041
Special Items	$24,607,273	$2,708,910	$28,532,297	$2,669,917	$7,723,526	$2,990,955
Permanent Improvements	$1,154,079	$0	$874,789	$0	$2,000,000	$0
Debt Services	$2,024,519	$420,000	$3,472,332	$420,000	$537,407	$420,000
Distributions to Subdivisions	$65,391,843	$4,009,865	$6,380,296	$3,554,262	$10,910,009	$3,329,009
Fringe Benefits	$14,702,340	$3,112,482	$13,537,620	$2,619,471	$13,581,345	$2,326,607
Non-recurring	$0	$0	$0	$0	$0	$0
TOTAL	**$232,569,051**	**$28,181,372**	**$176,483,148**	**$25,183,067**	**$184,942,171**	**$23,286,037**

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

Other Expenditures

Sources of Funds	***2001-02 Actual Expenditures***	***2002-03 Actual Expenditures***
Supplemental Bills	$9,790,326	$7,743,736
Capital Reserve Funds	$3,729,184	$2,846,579
Bonds	$7,001,529	$7,386,744

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 As a group, the division directors and the executive leadership have chosen to focus the agency's efforts on three key areas: return-on-investment, employee well-being and customer focus.

Division directors meet regularly 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 been 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 Executive Director has made personal visits to each office, where he has meet with senior leaders in those units. The focus has been on developing appropriate measurement instruments to analyze the effectiveness of Board services to the customer. Many of these measures are reported in Section 7 of this document.

The Board has continued to emphasize direct communication with employees, primarily by via e-mails sent directly to all employees. A summary of all senior staff meetings is sent to all employees via this system and the Executive Director frequently sends messages to employees about key agency-wide concerns. 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 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 as part of the strategic planning process. Senior leadership developed a set of organizational values and has formally adopted the values and incorporated them into the strategic plan, performance evaluation for managers and the employee recognition program.

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 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 has enabled customers to provide input via surveys or directly via the Internet. This information is used in short-term decision-making and, as the process is improved, in the annual strategic planning process. The Division Directors also asked a special Performance Review Team to analyze the Board's methods for managing customer dissatisfaction. This cross-functional team presented to the Board's leadership group a full report including recommended best practices for handling customer complaints.

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 an 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 ombudsperson. 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 for services provided. Primarily risks assessed and avoided are in the areas of health, 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. The Board works continuously to seek news media coverage of what duties the agency performs and features that highlight accomplishments by our employees.

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. The Executive Director has

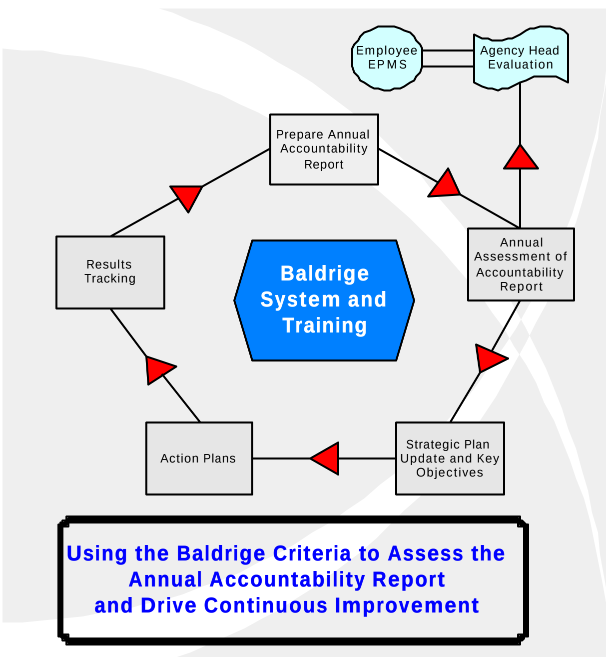
also participated in 80 percent of the three-hour performance improvement training sessions which all Board employees have taken.

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, developed 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.

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.



2.1 The process began in January 2002, with a two-day session for 30 senior Board leaders with 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 the potential challenges.

From that process, the team selected three key objectives that would serve as the focus of the Board's effort for the coming years: customer and stakeholder satisfaction, employee well-being and return on investment. Agency-wide teams were then appointed to study each objective and recommend action plans which are now being implemented.

The Board continues to progress toward a systematic strategic planning process that uses the annual accountability report as the major tool for driving improvement. The chart above outlines the process. During a strategic planning session in early 2003, the leadership team formulated for each program area several objectives to improve return on investment and customer satisfaction. Division directors are overseeing implementation.

The Board's management team develops, monitors and ensures compliance to the strategic plan. In 2002-03, the management team completed a SWOT (strengths, weaknesses, opportunities and threats) analysis of the Board's plan and determined the yearly goals to be accomplished. Division directors report monthly on the status of key objectives and emerging issues in a meeting with the Chief of Staff and Executive Director.

2. How do you develop and track action plans that address your strategic objectives?
In 2002-03, the three previously identified strategic objectives remain the focus. Therefore divisions, offices and programs developed their yearly goals and objectives to align with the strategic initiatives. Each division identified several initiatives to improve ROI and customer satisfaction.

3. How do you communicate and deploy your strategic objectives, action plans and performance measures?
The mission, vision, values, strategic and key objectives were communicated to employees by the employee newsletter, managers' and staff meetings, new employee orientation, and a one-page flier posted in all offices.

3.0 Customer Focus

1. Identify key customers and stakeholders.
3.1 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 (our key stakeholder) 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. More than 27,000 individuals and businesses have registered to seek governmental business through the Board's Materials Management Office. Similarly, many non-state governmental entities insured for property, casualty, or liability losses voluntarily purchase their coverage through the Board's Insur-

ance 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. 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 updated continuously.

In 2002-03, 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 an Internet survey open to all plan members and met with representatives of key stakeholder groups such as employee associations 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.

Last year, 196 employees attended a six hour training program on customer service. The program is an ongoing requirement for employees that work with customers as a regular part of their jobs and will be provided to other employees on an as needed basis. The course, designed by Midlands Technical College, is designed to help Board employees deal effectively with customers in a courteous and professional manner.

The CIO Division has implemented a new instant customer surveying tool. Telephone technicians get immediate customer feedback through an electronic survey conducted over the technicians' cellular phones. Upon completion of a job, the technician gives his cell phone to the customer to complete the survey. The customer can confidentially answer basic questions that rate service delivery in several categories. This information is fed into a database for review by the worker and managers.

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 attempts 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.

For example, the Board's homepage was redesigned in 2002-03 based upon an analysis of e-mailed questions from customers seeking information and web page usage statistics. The new site features frequently-requested information about Board services rather than an emphasis on the agency's organizational structure which was determined to be less needed. A special web page "The South Carolina Procurement Center" was also launched due to the frequency of procurement inquiries.

The CIO Division solicited feedback from IT vendors, agency IT directors, and agency procurement directors. This feedback indicated that the procurement procedures varied from buyer to buyer. Because of this, ITMO instituted procurement code training classes for its staff and developed a standard operating procedures manual to ensure that processes were applied uniformly.

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. Virtually all parts of the Board now use several of these methods.

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. 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 performance. The agency head seeks and encourages other agency heads to let him know of any emerging problems or concerns.

General Services' Custodial Team receives monthly reports from customer representatives in each building served and are reviewed by area supervisors for action if needed. Semi-annual inspections and audits are conducted in each service location by the area supervisor. An annual customer survey is also conducted of building liaisons.

4.0 Information and Analysis

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

4.1 Through the Board’s strategic planning process, key business services and primary customers are identified for all the Board's program areas and measures are established accordingly. As a result of the strategic planning work sessions, three key objectives have been selected to drive long-term improvement. This also drives the identifying of which processes are to be targeted for improvement in each program areas. Executive management requires all program areas to measure and report on return on investment, customer satisfaction and employee well being.

Performance measures are established for the services that impact the customer the greatest as determined by customer feedback, surveys and focus groups. Decisions about what to measure are influenced by the ability to collect meaningful data on a consistent basis, the availability of industry comparative data and benchmarks, and by the requirements of specific business industry standards, federal and state laws and statutes, and by regulatory agencies.

Performance measures are designed to reflect various categories including quality assurance, timeliness and accuracy of information, level of effort and cost-effectiveness, and the program successes and benefits to customers.

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

4.2 During the year, the Division of Internal Audit and Performance Review initiated a new process to audit all the performance measures reported by the Board's major program areas to determine their accuracy and usefulness. As part of the audit process, standards for a performance measurement control system were developed and provided to each major program area to ensure that a systematic approach to collecting, processing, reviewing, and reporting of measures is done across the agency.

All major program areas have designated employees who are responsible for ensuring that the data collected is accurate. Many programs are subject to external independent audits on an annual basis and several areas use independent third-party actuarial services and consultants such as the Insurance Reserve Fund and the Office of Local Government. The IRF is also subject to audit by the South Carolina Department of Insurance. Automated systems designed with internal controls for data accuracy, automated data collection, and routine reporting functions are used in all the major program areas.

Customer and end-user data entry is encouraged which allows for data integrity checks at the point of entry such as the General Services Facilities Management and work-order system. Throughout the Board, Internet access is available to customers and end-users allowing access to real-time data that encourages immediate feedback from customers regarding accuracy of data. Internal Operations has made financial data available through a database providing pre-established reports and special query capabilities. Board management monitors data through reports, trend analysis, and monthly dashboards.

Periodic reconciliation of data with various internal and external data sources are done monthly within the SCRS and Internal Operations. In-house professionals and statisticians provide independent analysis of surveys for various program areas within the agency.

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

4.3 Changes in measures and immediate customer feedback are used to identify developing trends that need to be addressed by management in the short-term changes to policies and procedures. Management uses the cycle time measures to indicate where changes are needed in the product and service delivery processes. Data is used to identify significant, high-frequency users that may have special needs and requests and who may benefit from new or additional services such as the primary telecommunication customers of the CIO. At the South Carolina Retirement Systems, call center information is used to temporarily reallocate resources, identify cross-training needs, high-volume areas and other improvements.

Competitive benchmarking and price comparisons may indicate product or service pricing changes for areas such as Interagency Mail Services, telecommunication and information technology. The Insurance Reserve Fund uses premiums and loss data to set rates and premium levels, monitor timeliness and efficiency of processes, manage finances, and develop reinsurance requirements. Executive management uses human resource data such as skills gap analysis and workforce dynamics for succession planning and assessing the need for workforce training. Internal Operations is determining the time needed to process various transactions in order to improve service delivery, find cost-reductions and to better allocate their resources to meet shifting customer demands.

4. How do you select and use comparative data?

4.4 The Board seeks to find the best in each business segment, including government and the private sector, with which to benchmark. The Retirement Systems selected Cost Effectiveness Measurement, Inc. to provide an annual benchmarking study of sixty-three leading pension systems in customer service practices, communication services, and in defining new service standards. CIO has employed the Gartner Group, an internationally recognized technology consulting firm, to compare the key business operations of the CIO with similar peer groups that provides evaluation for the competitiveness of CIO's IT business. The Employee Insurance Program selects comparative data from other state health plans to assist in making plan design changes. Where industry data is not attainable, data is compared year to year to identify trends and to assess the need for changes in quality and level of services.

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 implemented a new agency-wide “Best of the Best” employee recognition program in 2002-03. The program rewards and recognizes employees who demonstrate outstanding performance in carrying the Board's values. Employees are nominated and selected by their peers. Those selected receive the (1) Employee or Team of the Quarter Award and or the Employee or Team of the Year award. Additionally, the program includes on-going recognition of outstanding achievements of Board employees through reports from representatives who are responsible for ensuring that accomplishments are reported quickly to senior management for recognition. The Best of the Best Program also recognizes employees achieving the milestones of 20, 30, and 40 or more years of state service. The new Best of the Best Program culminated with four separate gatherings on May 5 to coincide with Public Service Recognition Week. Approximately 800 employees attended.

Across the Board, the Board's newsletter, regularly features articles on employees and their accomplishments, both professionally, and personally. This information is also shared with local news media as another method of recognizing the individual and informing the public of the Board's interest in it's employees and in "Making Government Better."

During this reporting period, the Board continued to accommodate 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 67 employees took 1,248 furlough days in 2002-03, saving the Board $140,999.

In 2002-2003, we had only one grievance. We also had one complaint of discrimination. Also during the year, 5.3 percent of permanent employees left the Board. The previous year's turnover rate was 12.6 percent. However a substantial portion of that number was attributable to buyout incentives.

More than 60 Board employees signed up for CPR and first aid training during 2002-03.Budget and Control

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 The Board has analyzed the likely turnover in key management positions in each area of the agency as part of a systematic succession planning process. After identifying employees who are eligible for retirement in coming years, each division and office has begun work on a long-range succession plan.

In 2001-02, the Board launched the Leadership Academy after a workforce analysis determined that many experienced Board managers will be eligible to retire within the next five years. The academy is designed to give employees identified as having outstanding leadership potential a greater understanding of all Board duties so that they are better prepared to provide leadership beyond their immediate program area. The leadership team has identified 19 employees to participate in the next program.

The Board implemented a new orientation program to ensure employees transition smoothly into their new job. The initial benefits orientation is held each pay period and gives employees an overview of the health and life insurance as well as retirement options. The second phase of the orientation, "Come on Board," is held every other month and concentrates on the agency's history, mission, policies, and ethics. The new two-part process does not overwhelm employees with too much information at one time. The process gives new staff sufficient information and helps new employee get acclimated to their new work environment.

All employees received a minimum of three hours of Baldrige training. The training is designed to provide an orientation for all employees to understand the mission, vision, values and performance management system. The Executive Director participated in 80 percent of the training. Other members of the leadership team participated in the others. This will be ongoing for any new employees.

Nearly 200 employees attended a custom designed six-hour training program on customer service. The program will be an ongoing requirement for employees that work with customers/constituents as a regular part of their jobs and will be provided to other employees on an as neeed basis. The course, designed by Midlands Technical College is designed to help Board employees deal effectively with customers in a courteous and professional manner.

All managers attended a four-hour leadership development program on diversity. The course's focus is on key diversity topics that will impact the leadership team of the Board and bring an awareness to the challenges that leaders face in dealing with diversity issues.

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

5.3 The Board implemented a universal review date in January 2003. This required evaluations to be completed on all employees at the same time. Senior managers has this information on all employees to use as a barometer to measure the progress of employees and to determine areas of weakness that needs to be addressed as well as performance that is deserving of recognition. Senior managers can also develop trends and analysis to help them evaluate their managers.

Breakdown of the performance levels for Board employees: Meets 20.2 percent, Exceeds 62.5 percent, and Substantially Exceeds, 17.3 percent. Statewide averages were: Meets 44 percent, Exceeds 44 percent and Substantially Exceeds 12 percent.

4. What formal and/or informal assessment methods and measures do you use to deter-

mine employee well being, satisfaction, and motivation?

5.5 The Board conducted its second Employee Well-Being Survey in June 2003. By using comparable questions, the agency is able over time to track changes in employee attitudes and to determine what changes in policies or management techniques should be employed. The Executive Director also frequently visits Board offices and program areas where he informally talks with employees. Agency managers are also encouraged to do the same.

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

5.5 The Board implemented a Board-wide safety initiative involving representation for all of the major program areas to address safety issues and concerns. Board employees conducted CPR/ First Aid training. Sixty-four employees are now certified and able to assist fellow employees when the need arises as a result of these workshops. The number of work related accidents decreased from 27 in 2001-2002 to 19 for 2002-2003.

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

5.6 The Board is active in the community through programs important to employees. Examples include:

- Sponsored a booth at the Career/Community Expo July 13, 2002 at the Midland's Workforce Center along with approximately 150 other local businesses and agencies.
- The Board sponsored a booth and staff participated in a workshop entitled "Growing Your Business" at the annual Black Expo. The Expo drew over 18,000 people.
- The Community Involvement Committee was established to manage and coordinate the agency's community involvement efforts. The agency's leadership team identified four major community involvement projects that it would support: (1) United Way (2) Community Health Charities (3) Computer Buddies and (4) Habitat for Humanity. Other community involvement activities were be screened by the committee on a case-by-case basis.
- Board employees contributed $32,446 to United Way and Community Health Charities.
- Computer Buddies is a partnership with other state agencies to provide computer training, technical and educational support to foster children in the state of South Carolina. To date 12 employees have volunteered to be Computer Buddies.
- Blood drives were held at several locations.
- The Board also participated in the Salvation Army's Fill-A-Stocking project.
- More than 170 coats and other items were collected as part of the Share the Warmth Coat Drive for the Homeless.
- Employees united on September 11 by wearing red white and blue ribbons and participating in agency-wide food and blood drives throughout the day. Over a ton of food was donated to Harvest Hope Food Bank and over 50 units of blood were collected by the Red Cross.

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 to manage the 82 state buildings under its care. The Facilities Center 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 maintains deferred maintenance costs and anticipated remaining lifespan 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 vendor's invoices for the Commercial Vendor Repair Program has eliminated an estimated 160,000 pieces of paper annually.

- The Information Technology Management Office developed a Web based program, Vendor Search, to assist agencies and vendors in finding information about vendors. Agencies can search for vendors who provide specific commodities or who might serve as subcontractors. Minority vendors and contract vendors can also be identified.

- 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 allows 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, 48 percent of employers, serving 92 percent of SCRS membership, 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 consistent, accurate and timely information is provided.

- The State Budget Office logs all agency fund transfer requests and requests for fiscal impact 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 meeting key performance requirements?

6.2 The Board leadership team has designated three key performance measures for all service delivery programs: Customer satisfaction, employee well-being, and return on investment. These three agency performance measures are incorporated into the various program 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 Division of General Services 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 proc-

esses 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.

A performance review function has been initiated to develop and implement a process by which employee teams will review the Board's performance in specifically identified areas. In 2002-03, a special cross-division team was established to review how Board programs, track and respond to customer complaints. The committee made a series of recommendations to assist Board programs in quickly responding to customer concerns and using that data to make program improvements.

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. In telecommunications, 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.

In General Services' Construction and Planning Unit, project managers monitor the performance of each service provider on a regular basis; daily in the case of construction contractors. Project managers also initiate projects with pre-construction conferences involving customers and service providers and they evaluate the performance of service providers at the end of projects using a process designed by the Office of State Engineer.

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.

The annual Benefits at Work conference provides the latest information on the State Health Plan and other benefits to administrators from across state and local government.

The Commercial Vendor Repair Program requires State Fleet Management to be particularly active in partnering with both customers and suppliers. The program uses more than 400 private sector providers statewide for maintenance of more than 8,500 vehicles belonging to 32 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.

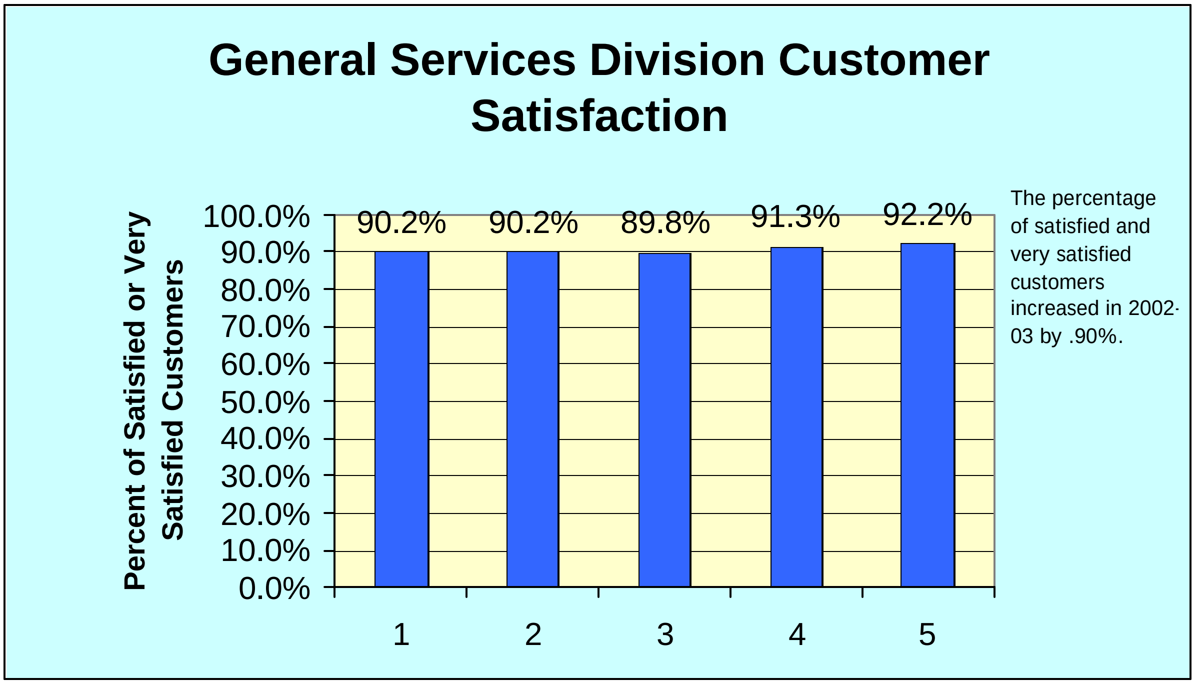
The Office of Human Resources has assigned a consultant for each state agency who provides advice and guidance on human resource issues and OHR procedures. OHR also has a Human Resources Advisory Committee made up of agency representatives who advise the office of customer needs and help disseminate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

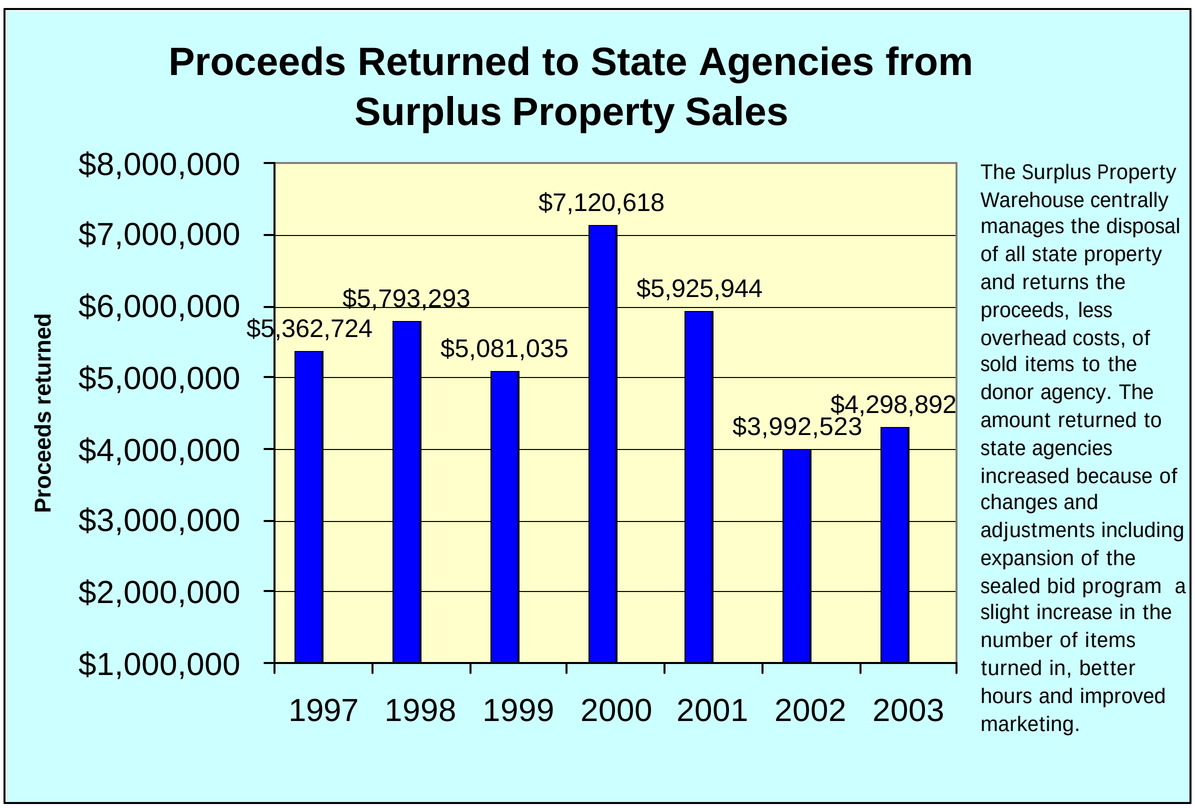
The South Carolina Energy Office has the Energy Advisory Committee, made up of representatives from utilities, manufacturers and the business sector, who provide guidance on how the Energy Office can best serve the citizens of the state. The committee reviewed and approved the Energy Office's 2002-03 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.

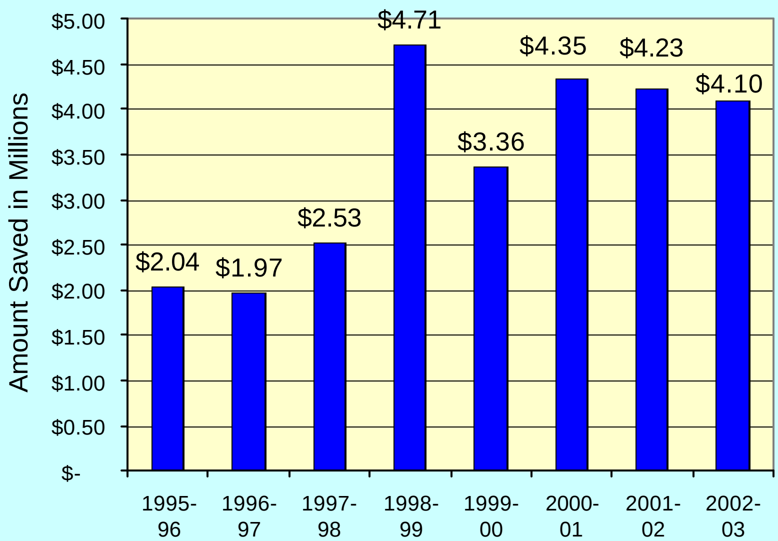
7.0 Business Results

7.1 Performance levels and trends for the key measures of customer satisfaction.





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



With lower rates than the U.S. Postal Service, Agency Mail saves millions of dollars annually for state and local agencies. The savings declined slightly in 2002-03 because mail volume declined slightly.

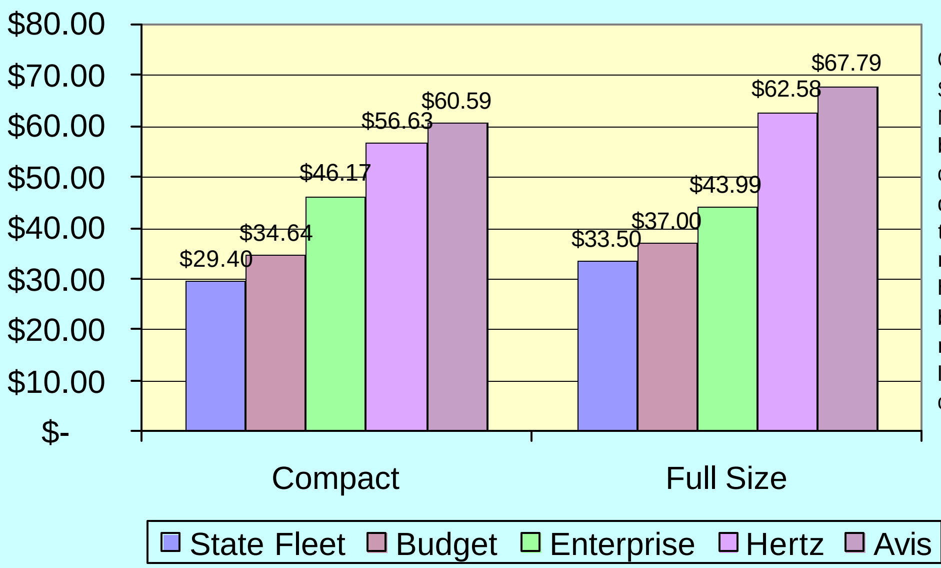
Agency Mail First Class rate: .90 cents per pound.

United States Post Officel First Class rate: $3.82 per pound.

State Fleet Daily Motor Pool Rates Compared to Private Sector Rates

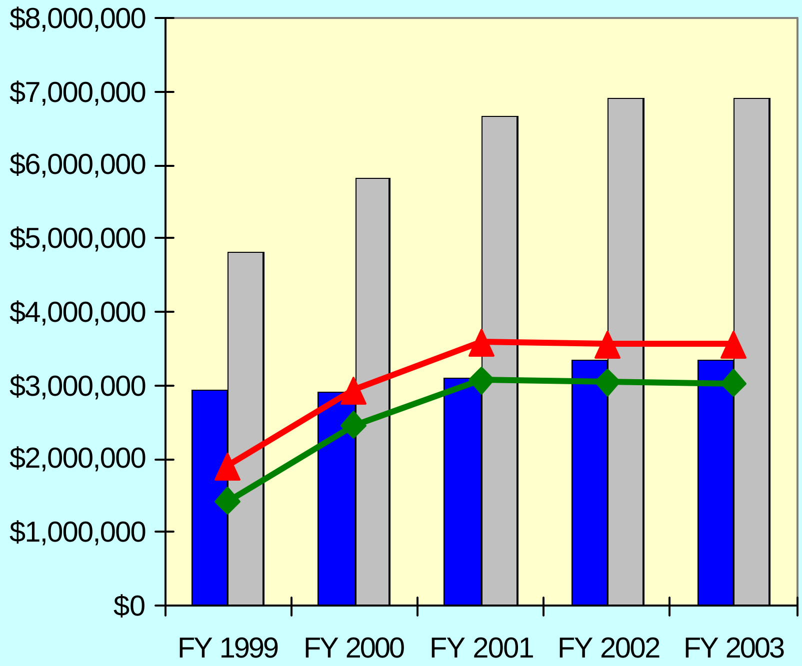
(Average Motor Pool Trip of 110 Miles)

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



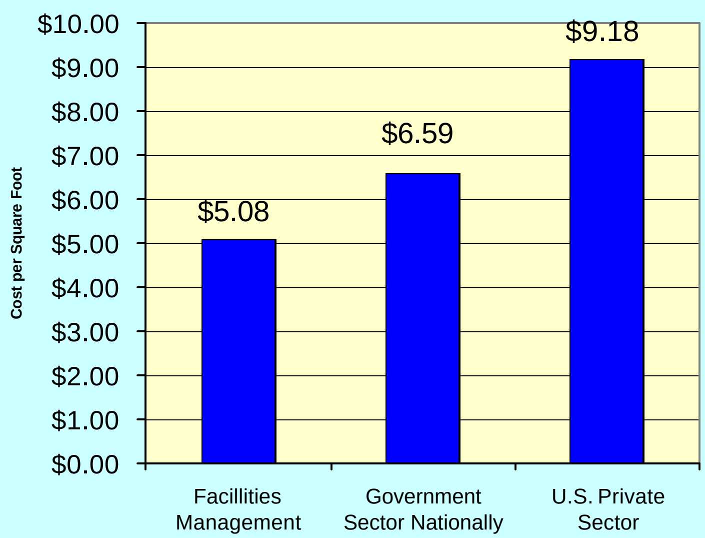
General Services' State Fleet Management benchmarks the cost it charges for a daily rental against the private market rate. Fleet's rates have consistently been well below the rates charged by large national rental companies.

Savings Realized From Fleet's Commercial Vendor Repair Program



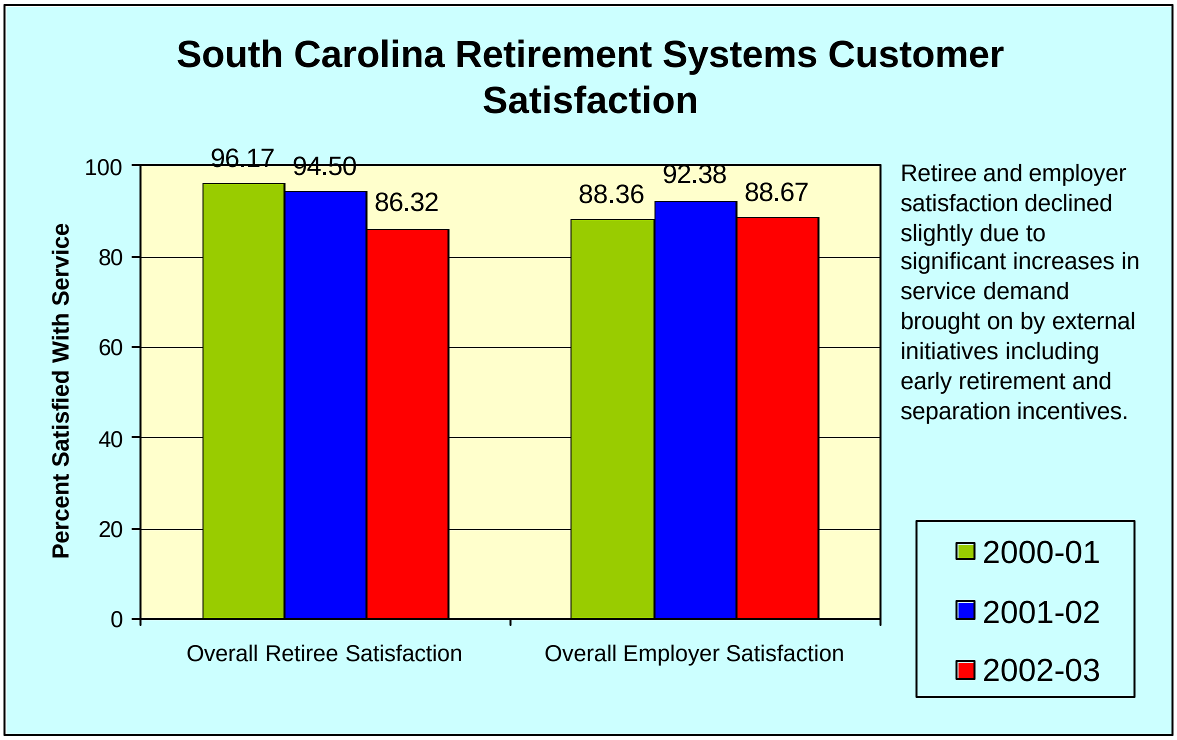
The CVRP saves the state money by using a network of private repair shops for maintenance of vehicles at locations that allow agencies to avoid long trips to state-owned shops. CVRP rates are benchmarked against national large private fleet rates.

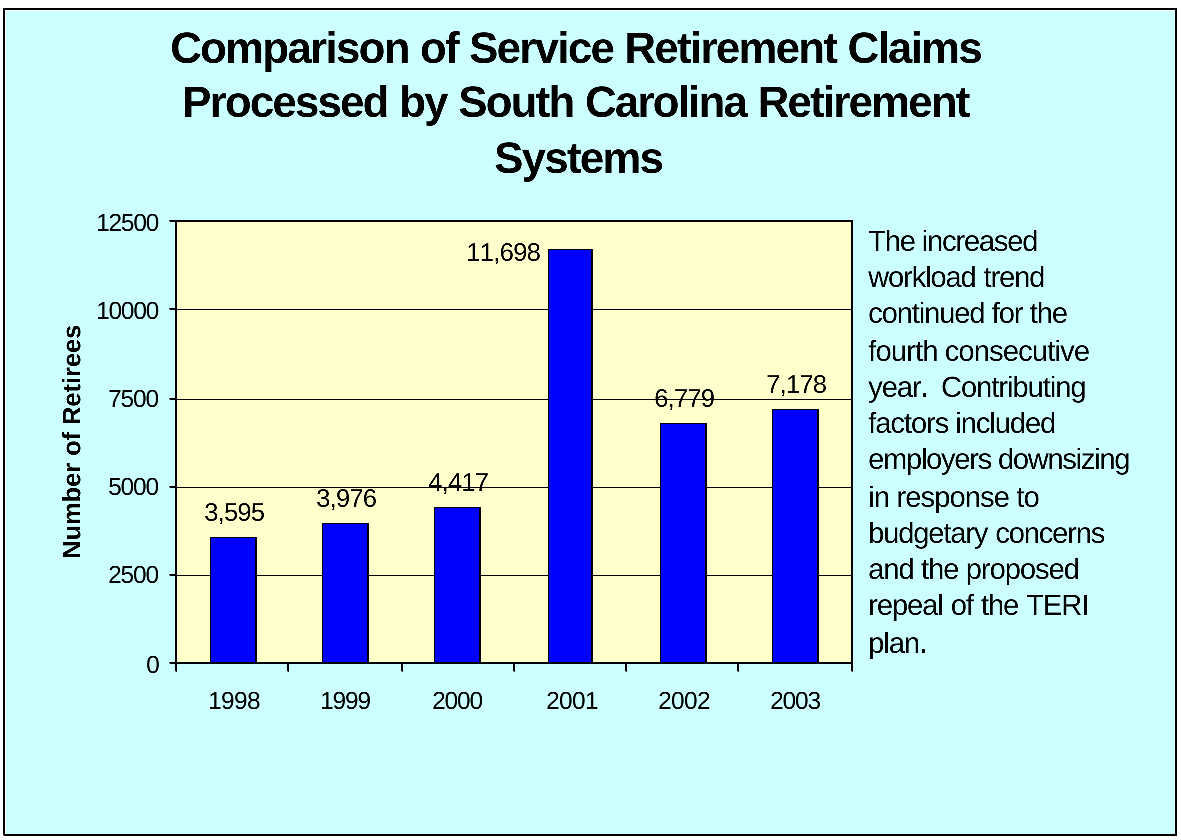
Facilities Management Section Cost to Maintain State Buildings



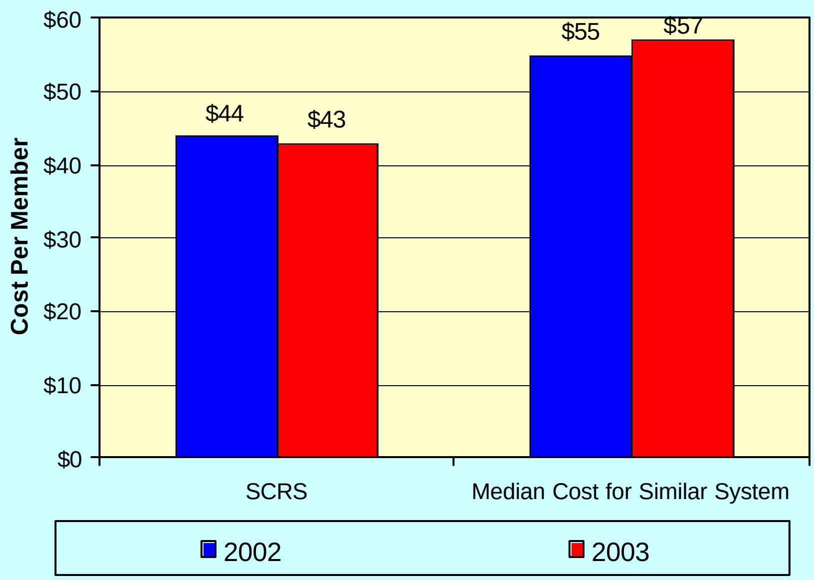
Using data from the Building Owners and Managers Association, the Facilities Management Section compares its costs to maintain state buildings to the public and private sector. FM costs about 75 pecent of the cost for all government buildings in the United States. This data includes maintenance, custodial, utilities and adminsitration.

Note: The private and government benchmark figures are adjusted downward to account for the lower cost of living in the Columbia area compared to the national average.


South Carolina Retirement Systems Customer Satisfaction
Percent Satisfied With Service
100
80
60
40
20
0
96.17
94.50
86.32
88.36
92.38
88.67
Overall Retiree Satisfaction
Overall Employer Satisfaction
Retiree and employer satisfaction declined slightly due to significant increases in service demand brought on by external initiatives including early retirement and separation incentives.
2000-01
2001-02
2002-03

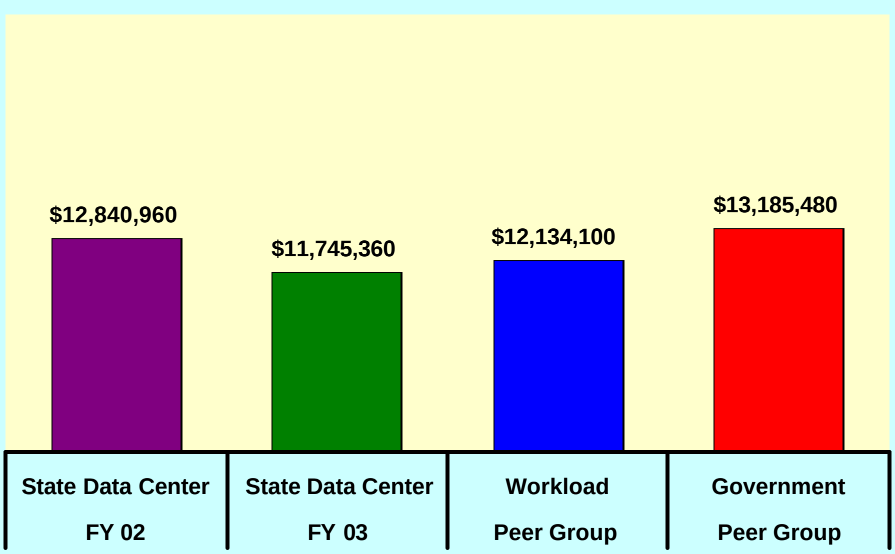

Comparison of Service Retirement Claims Processed by South Carolina Retirement Systems
Number of Retirees
12500
10000
7500
5000
2500
0
3,595
3,976
4,417
11,698
6,779
7,178
1998
1999
2000
2001
2002
2003
The increased workload trend continued for the fourth consecutive year. Contributing factors included employers downsizing in response to budgetary concerns and the proposed repeal of the TERI plan.

Administrative Cost Per Member of South Carolina Retirement Systems (2002 - 2003)



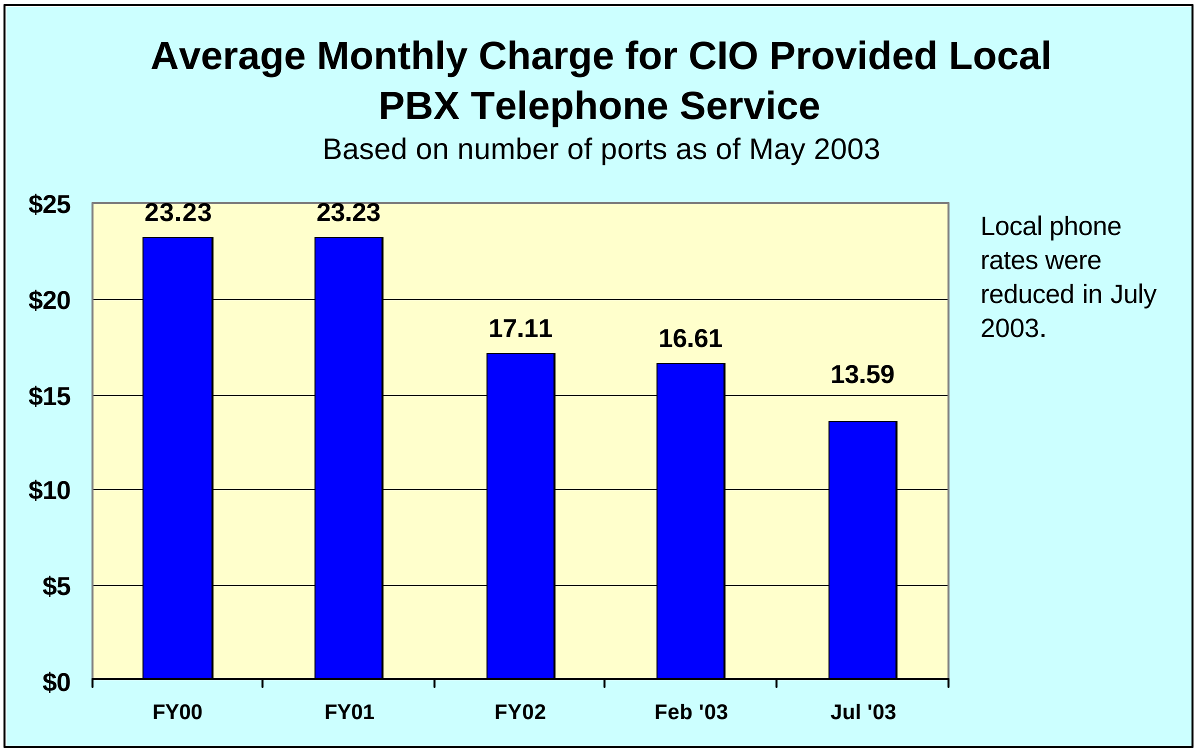
A benchmarking analysis by Cost Effectiveness Measurement, Inc found that in 2003 the SCRS operates at the 12th lowest cost per member among the 31 pension plans in the analysis. The SCRS cost per member has decreased while the median cost per member for similar systems experienced an increase.

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

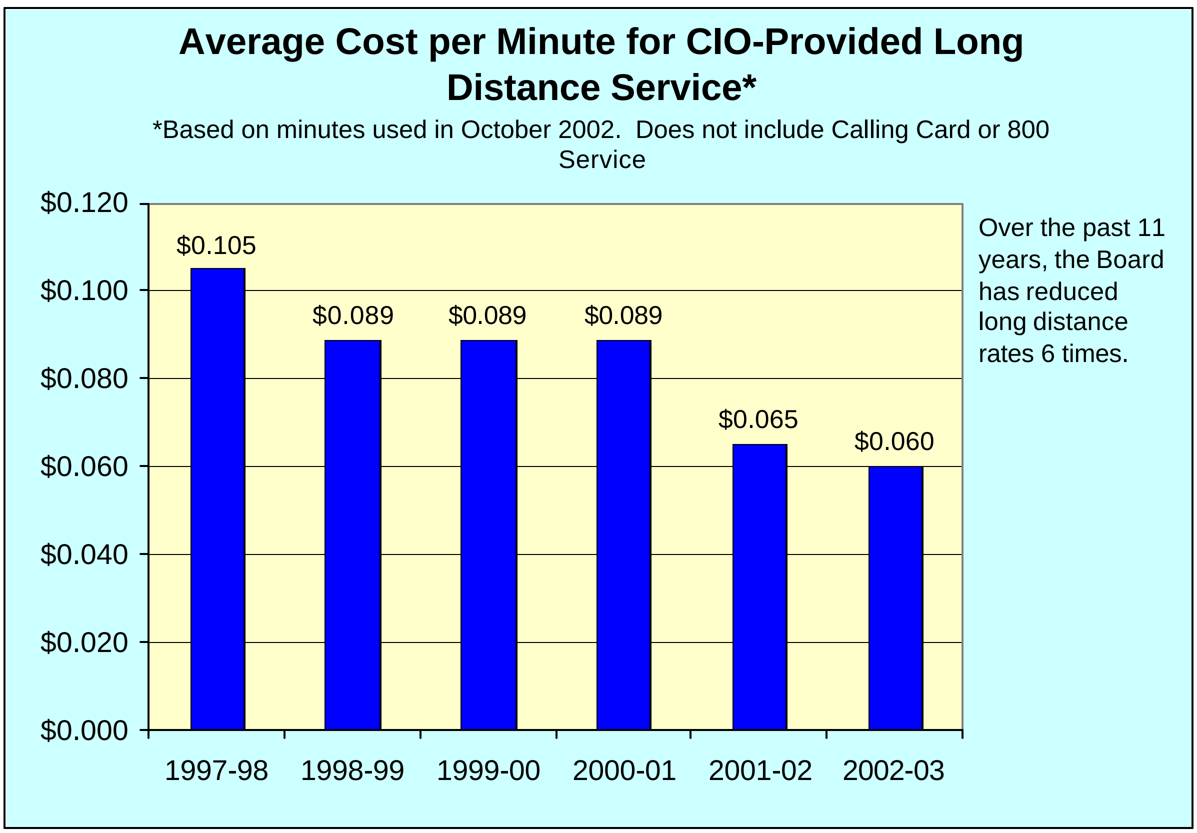


The CIO Division's cost of mainframe operations is 3.2% below the workload peer group and 10.9% below the government peer group as reported in the Gartner Group Information Technology Review.

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

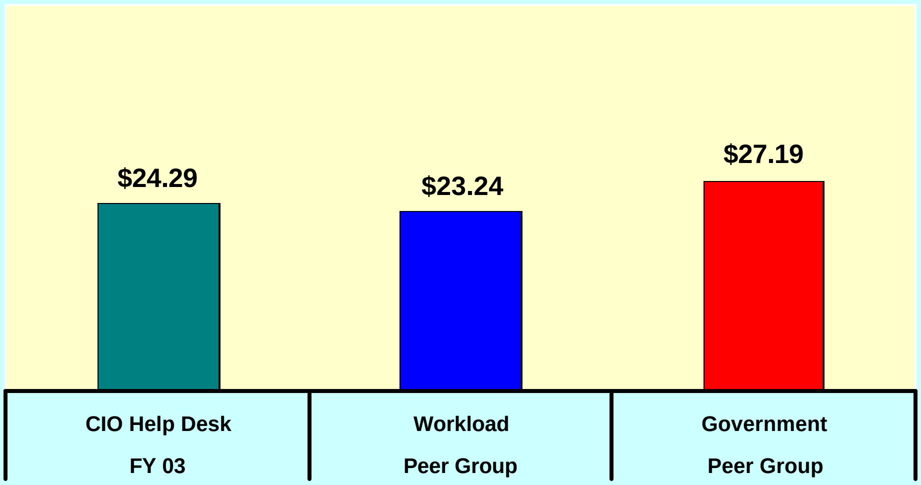


Average Monthly Charge for CIO Provided Local PBX Telephone Service
Based on number of ports as of May 2003
$25
$20
$15
$10
$5
$0
23.23
23.23
17.11
16.61
13.59
FY00
FY01
FY02
Feb '03
Jul '03
Local phone rates were reduced in July 2003.



Average Cost per Minute for CIO-Provided Long Distance Service*
*Based on minutes used in October 2002. Does not include Calling Card or 800 Service
$0.120
$0.100
$0.080
$0.060
$0.040
$0.020
$0.000
$0.105
$0.089
$0.089
$0.089
$0.065
$0.060
1997-98
1998-99
1999-00
2000-01
2001-02
2002-03
Over the past 11 years, the Board has reduced long distance rates 6 times.

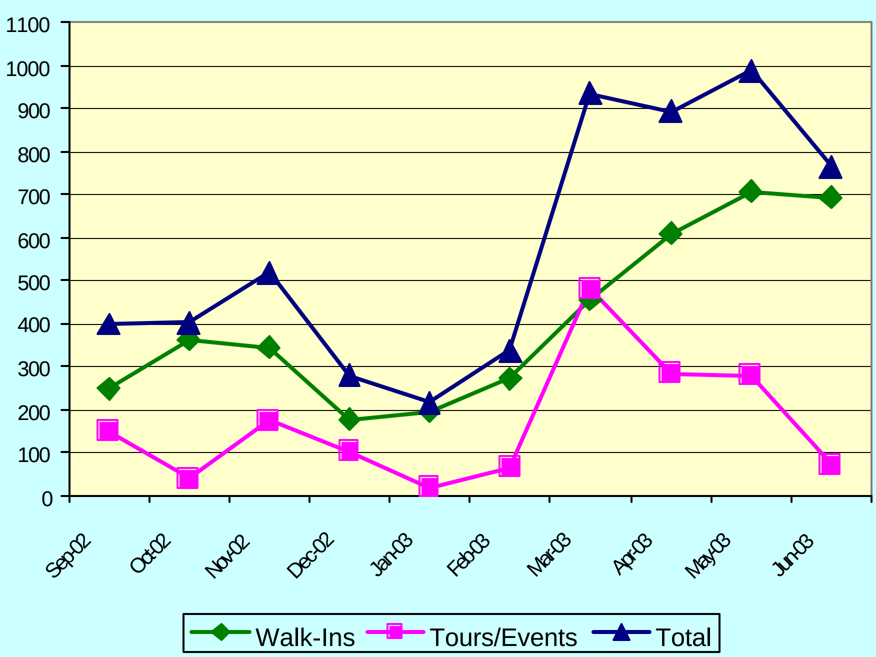
CIO Help Desk
Average Cost Per Call Compared To Peer Groups



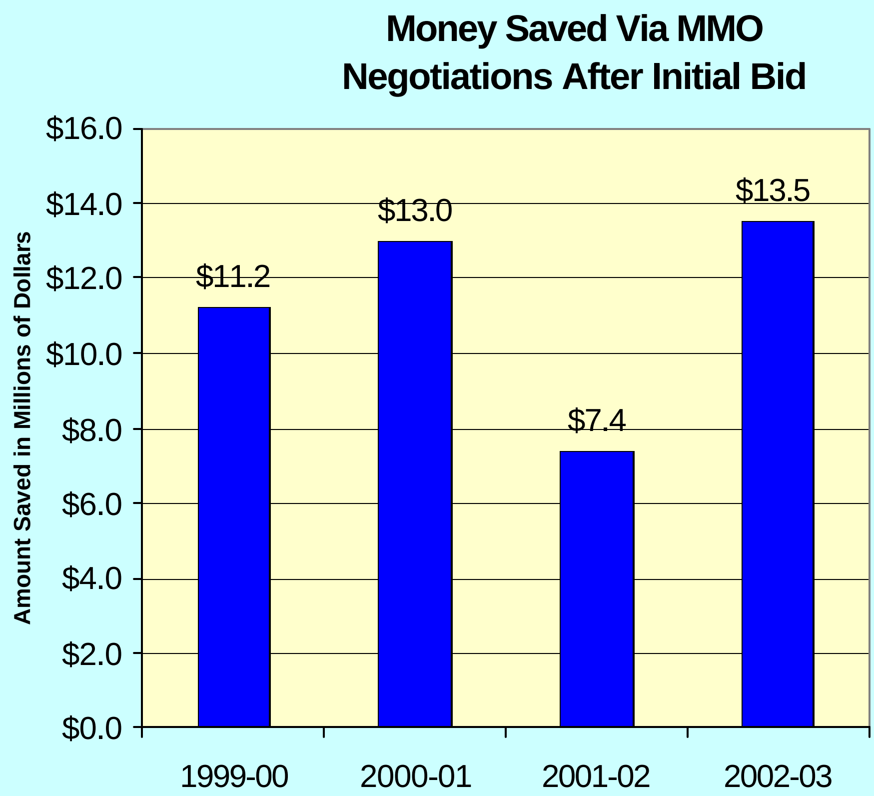
Based on a volume of 35,027 calls to the CIO Help Desk, the average cost per Help Desk call was 10.7% below the Government Peer Group as reported in the Gartner Group Information Technology Review.

Expense Components Include: Occupancy,Outsourced Services, Personnel, Network, Equipment

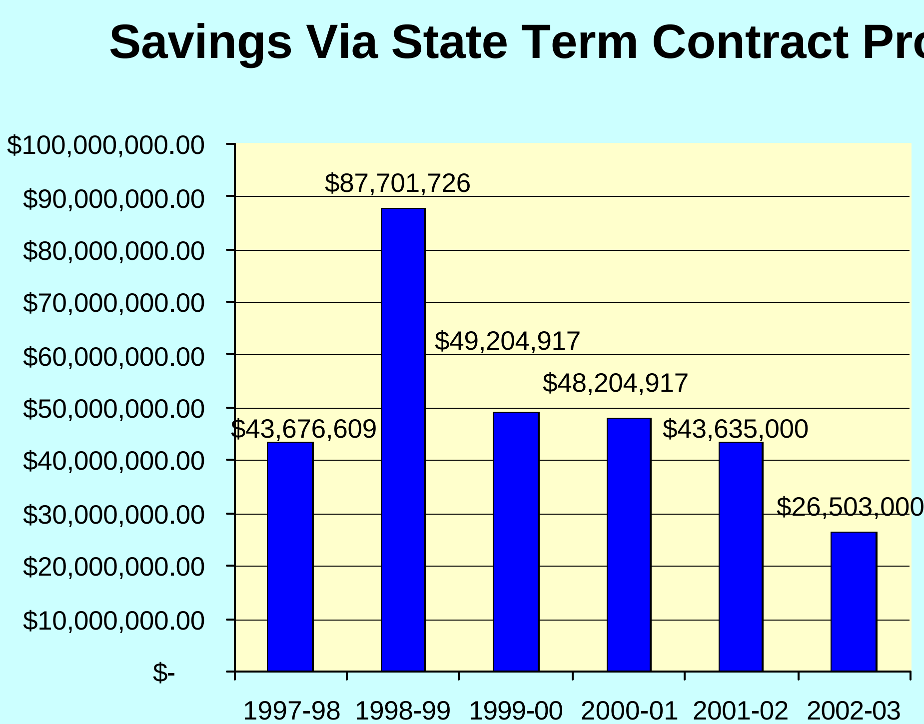
Confederate Relic Room Monthly Visitation: Sept. 2002-June 2003



Museum attendance grew steadily in 2003 as program development and public relations programs were implemented after the facility opened in its new location.

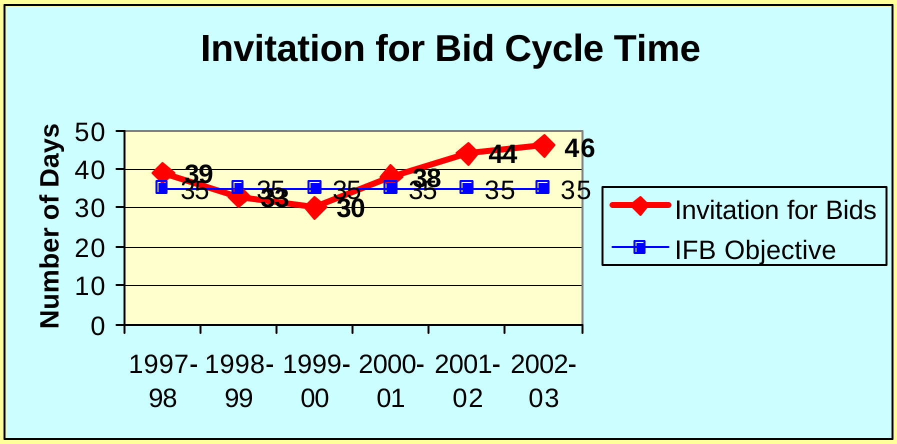


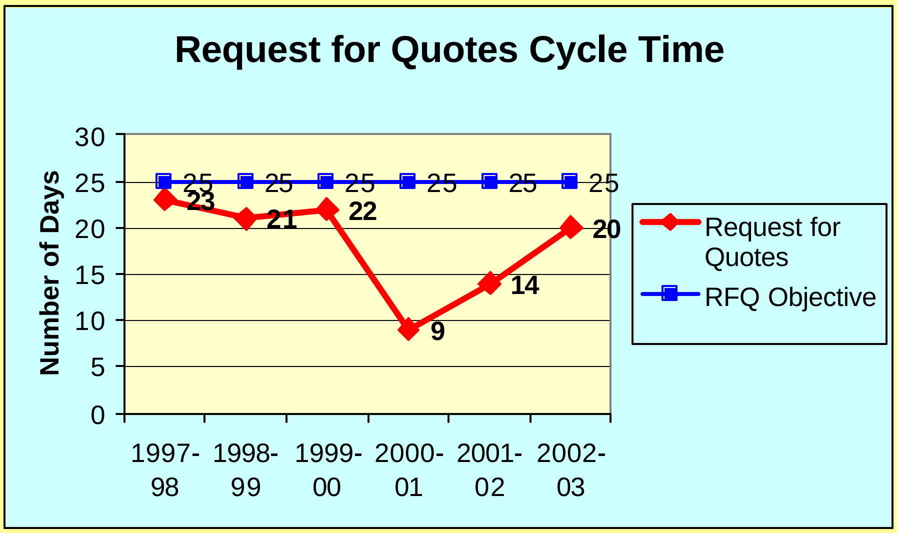
The Materials Management Office frequently enters into negotiations with firms that have been initially selected as the winning company in a state procurement. These negotiations save procuring agencies millions of dollars each year. Amounts saved vary based upon overall state procurement activity.



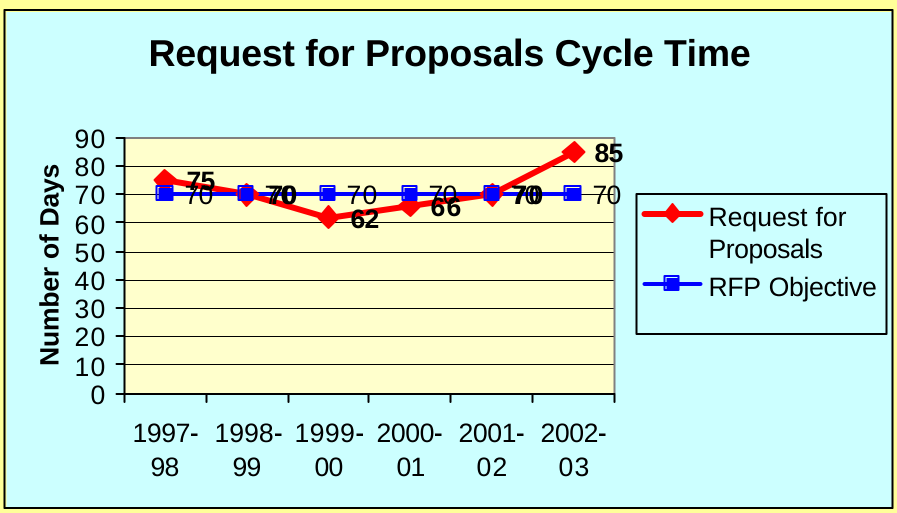
State term contracts allow bussinesses to offer their best prices for a good or service to all of state government for a fixed period of time. Agencies use these contracts on an as-needed basis. By pooling the state's buying power, state term contracts save agencies millions of dollars annually.

Materials Management Office Cycle Times

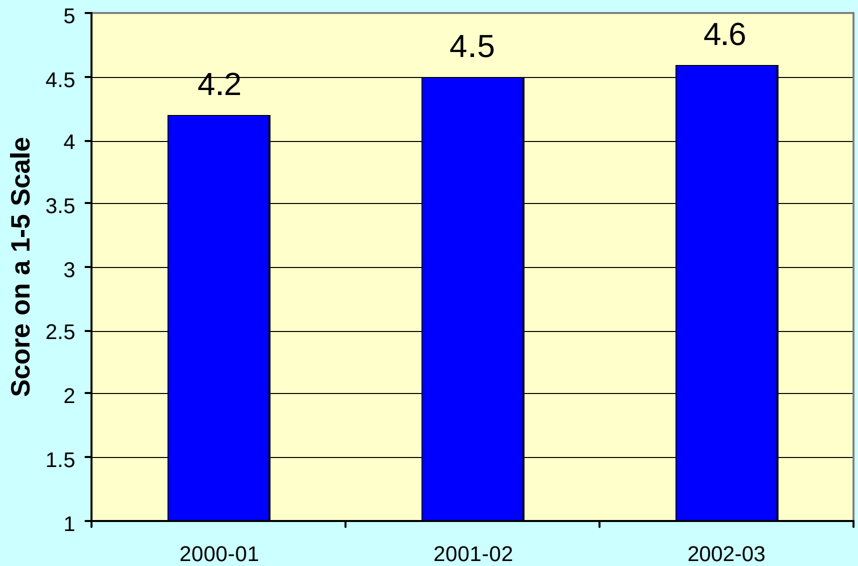




Cycle time is measured for the three major methods of procurement. The times rose in 2002-03 due to MMO staff vacancies as a result of general fund budget reductions.

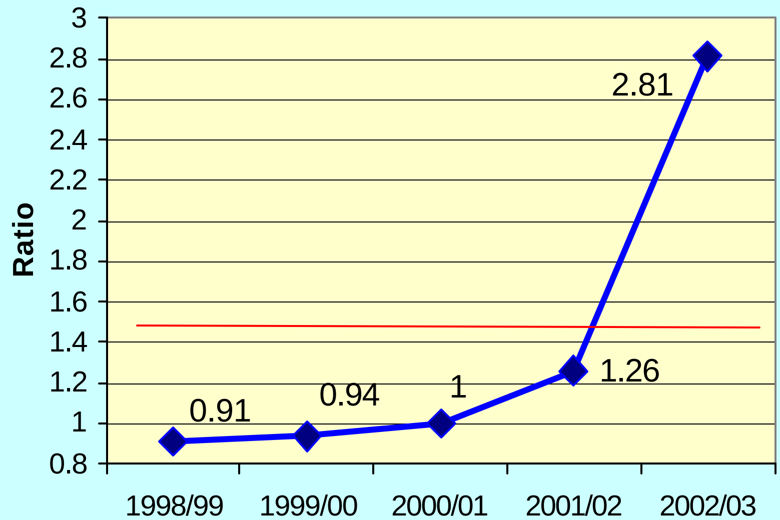


Materials Management Office Customer Satisfaction

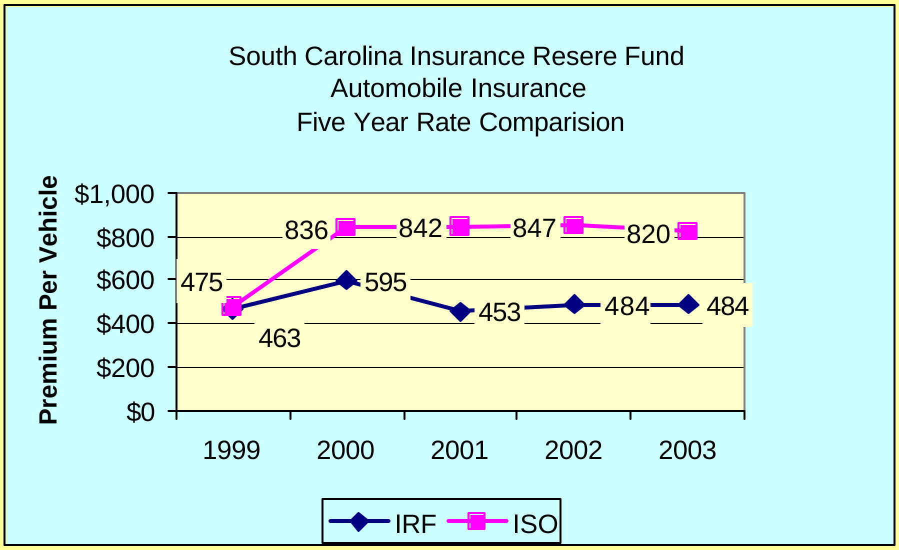


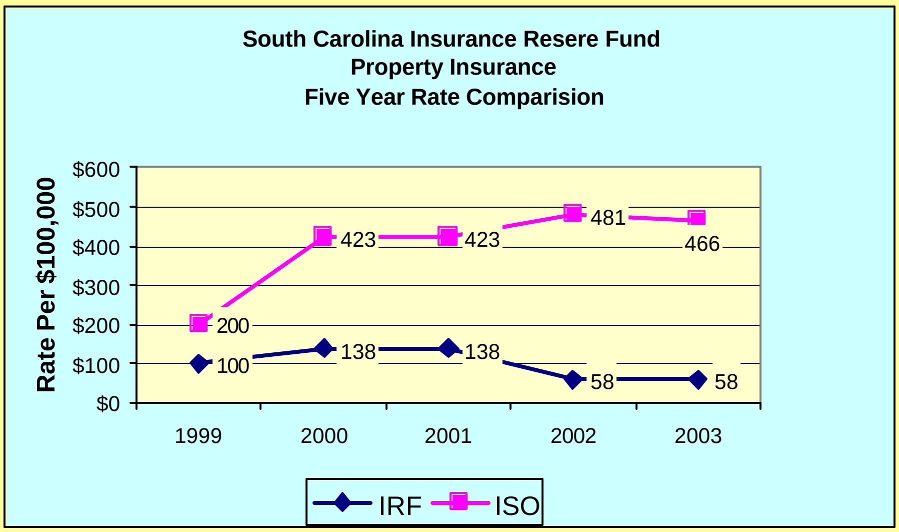
MMO's customer satisfaction increased in 2002-03 despite staffing reductions and increased time needed to deliver service.

South Carolina Insurance Reserve Fund Losses and Loss Adjusted Expense Reserves To Policyholder Equity

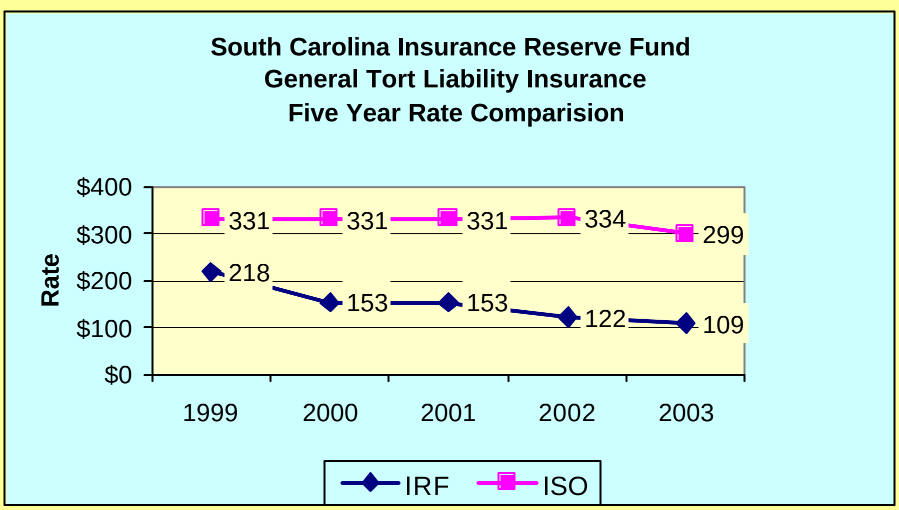


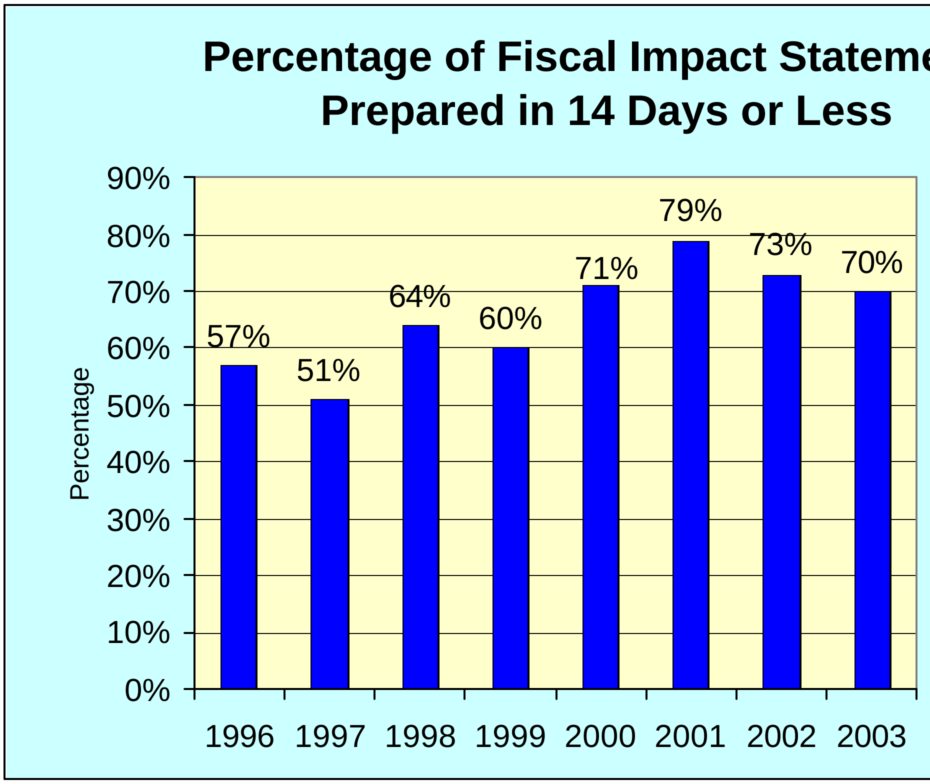
This ratio measures the fund's ability to withstand losses. A target range of 0 to 1.5 was selected from computer models as a safe range to ensure adequate financial capacity. Any ratio in excess of 1.5 indicates potential problems with the financial ability of the fund to meet its future contractual obligatons.



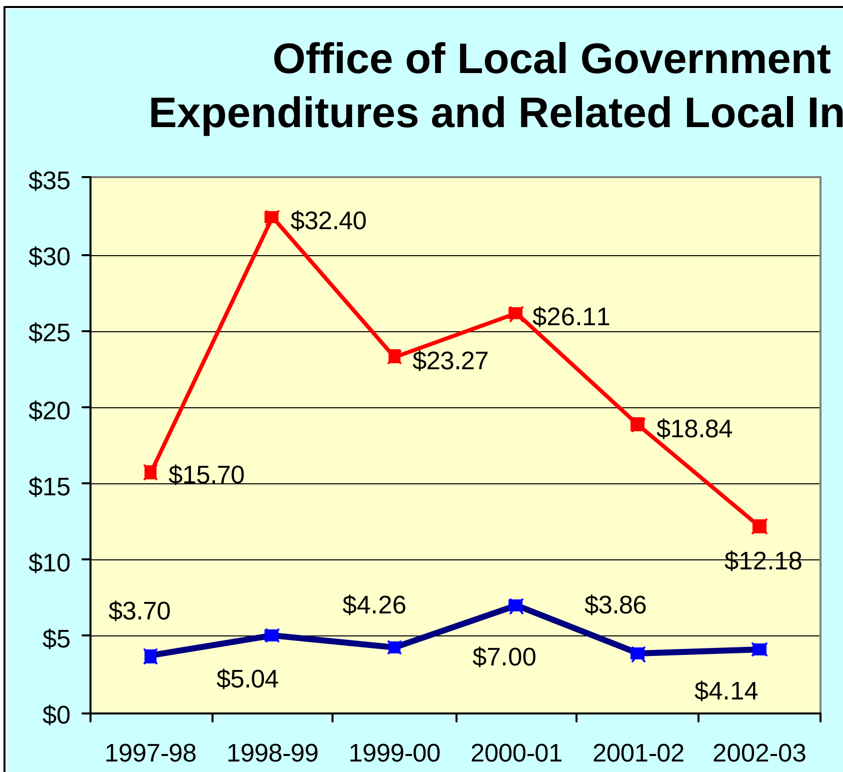


The Insurance Reserve Fund regularly compares its premiums to data collected by the Insurance Service Organization, the property and casualty insurance industry's leading supplier of statistical, actuarial, underwriting, and claims data. The IRF's premiums continue to be well below industry averages.



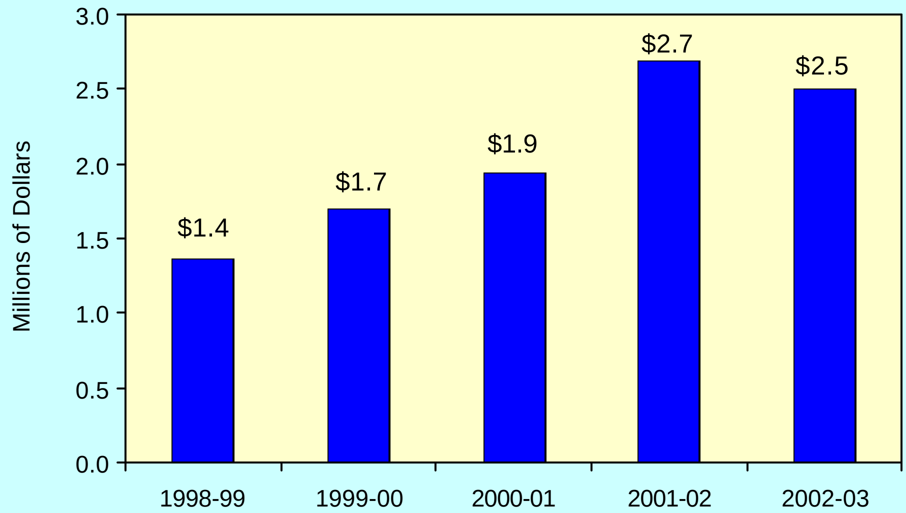


The State Budget Office's ability to produce fiscal impact statements for proposed legislation declined as a result of staffing reductions in response to state general fund cuts.



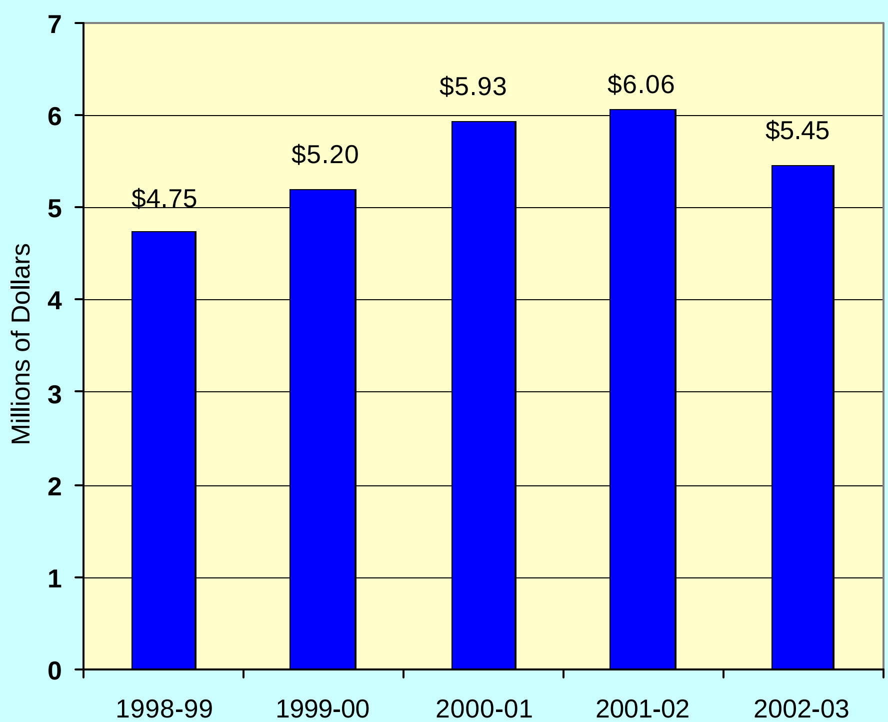
Local governments provide matching funds for water and sewer grants issued by the Office of Local Government. Local match dollars declined in 2002-03 because many entities were able to obtain grants from the states allotment of tobacco settlment funds that did not require a local match.

Office of Research & Statistics New Grant Funding



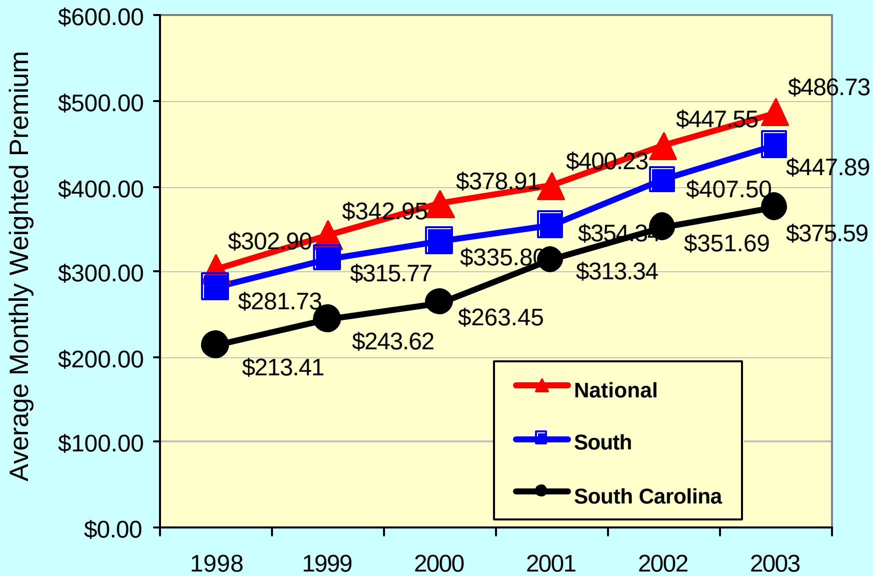
The Office of Research and Statistics continues to win competitive grants to fund collaborative projects.

Office of Research & Statistics Funds Leveraged



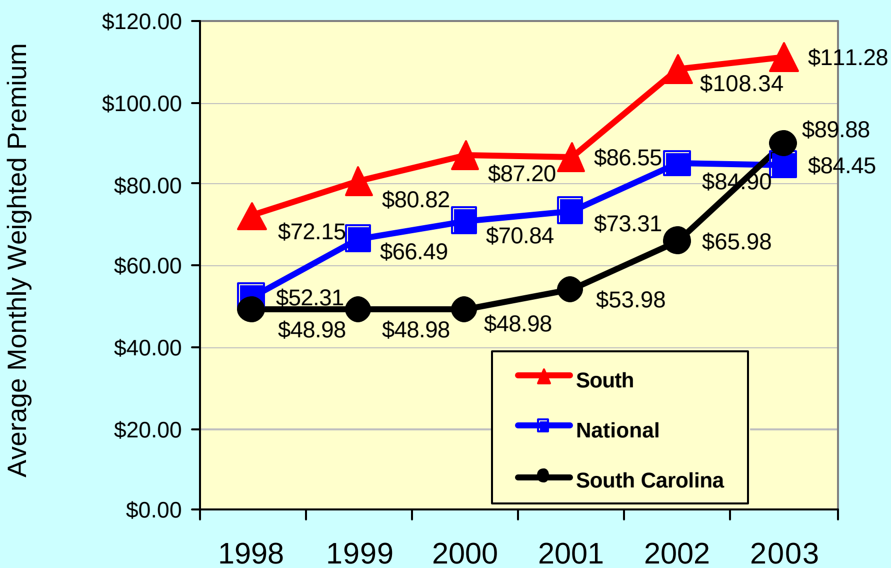
By participating in collaborative projects, the Office of Research and Statistics brings in additional matching funds.

Combined Employee and Employer Average Weighted Premiums for State Health Plan compared to Regional and National Averages

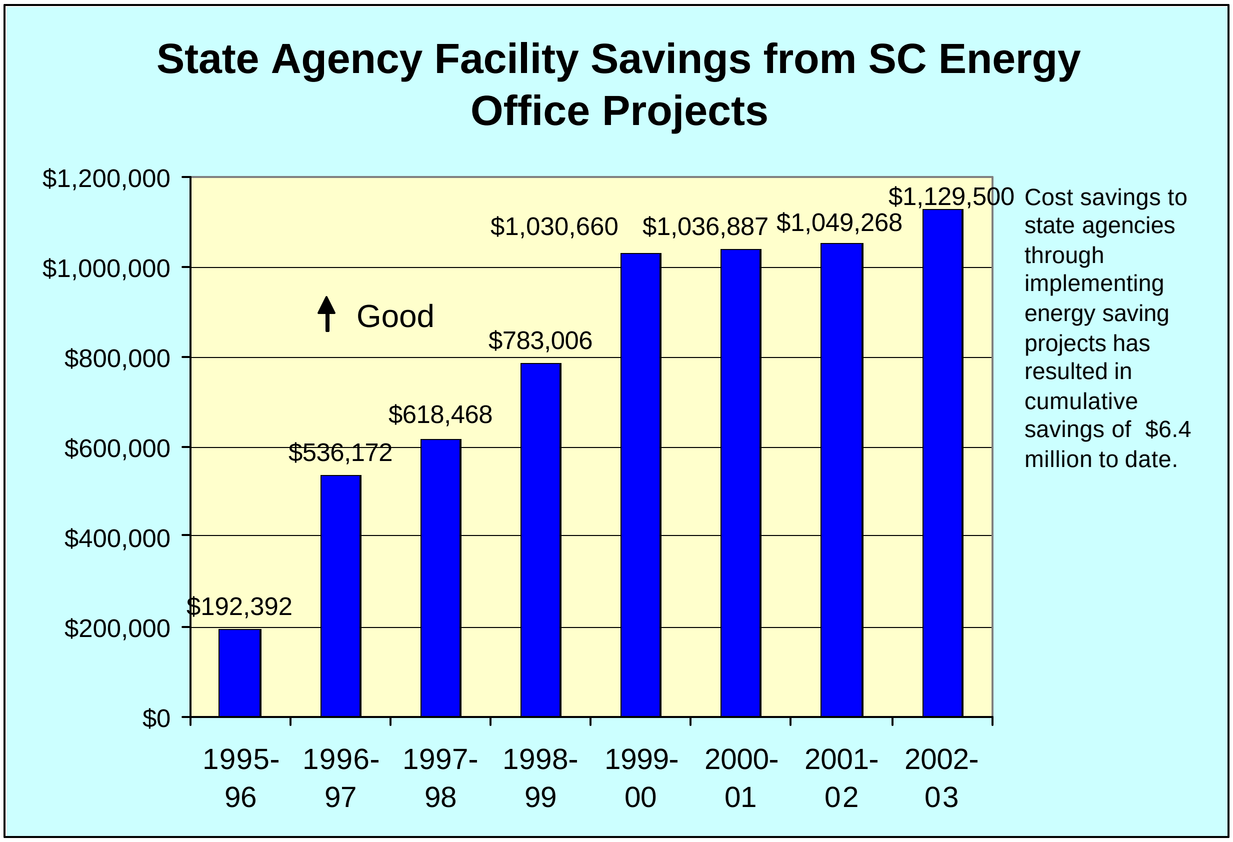


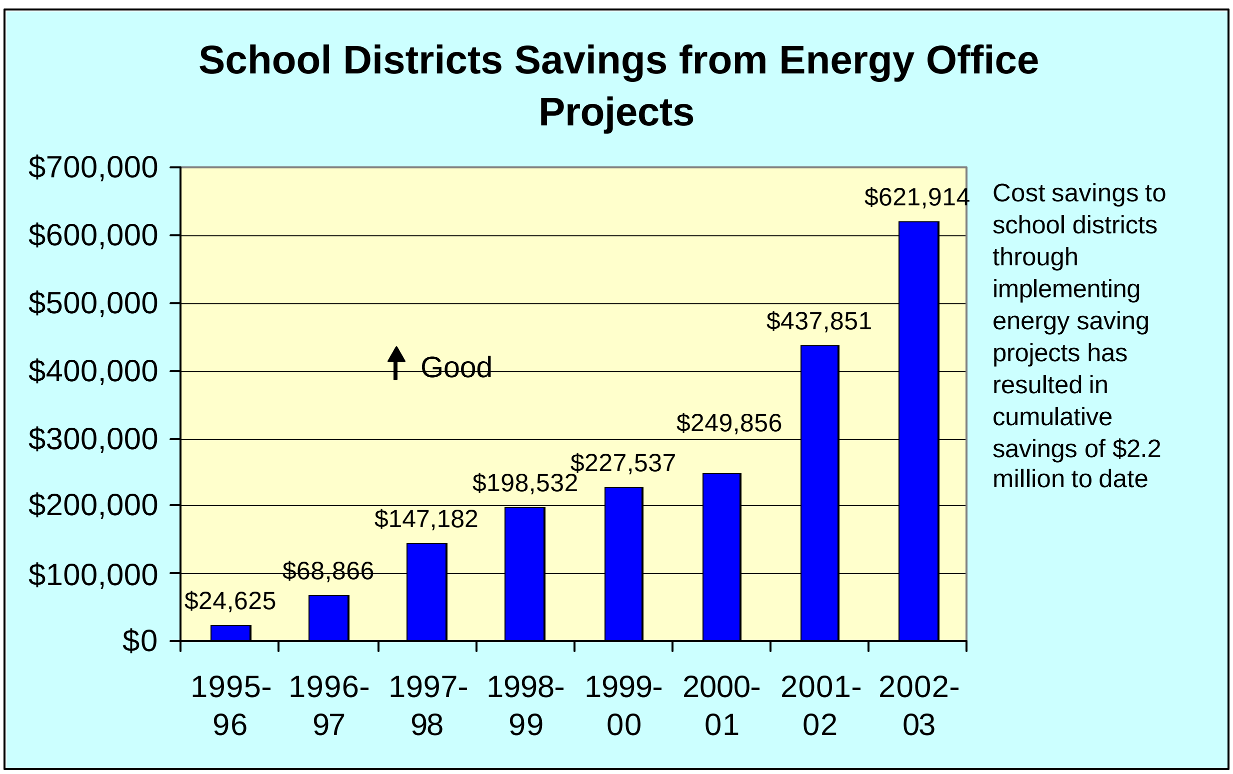
While rates have been rising, the combined employer and employee State Health Plan premium continues to be below regional and national averages.

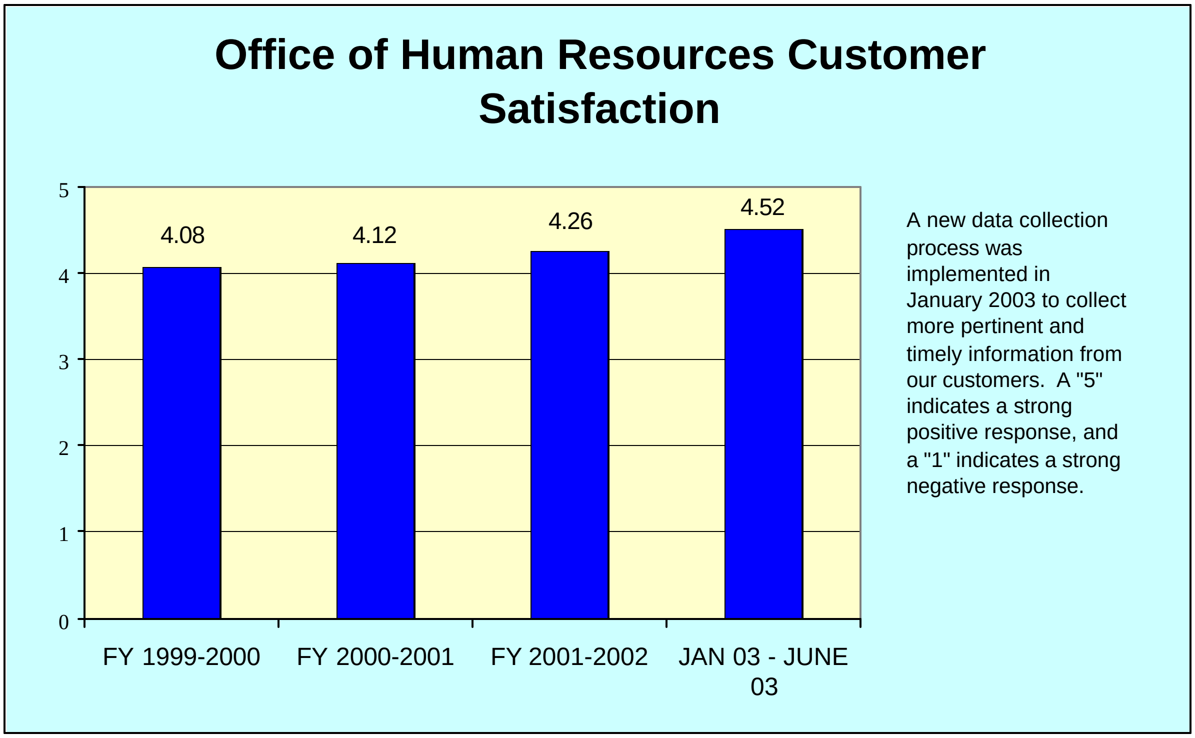
Average Weighted Employee Premiums for State Health Plan Compared to Regional and National Averages

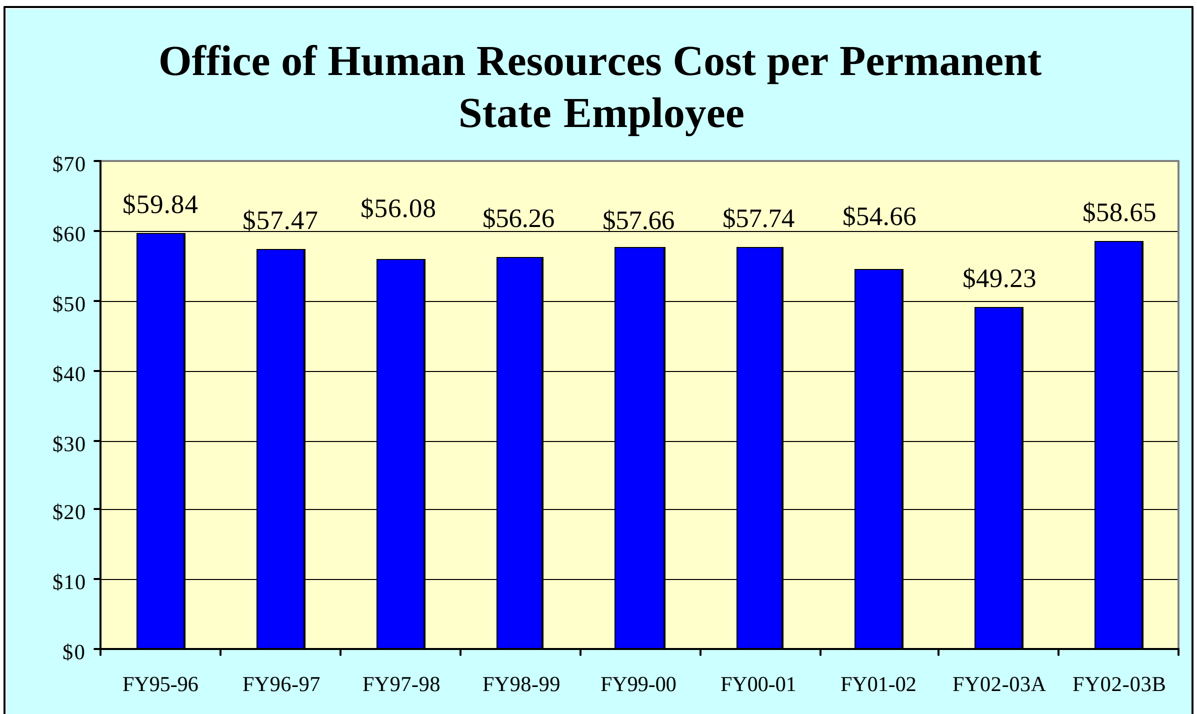


The employee premium paid by State Health Plan members is now higher than the national average, but still well below the regional average.

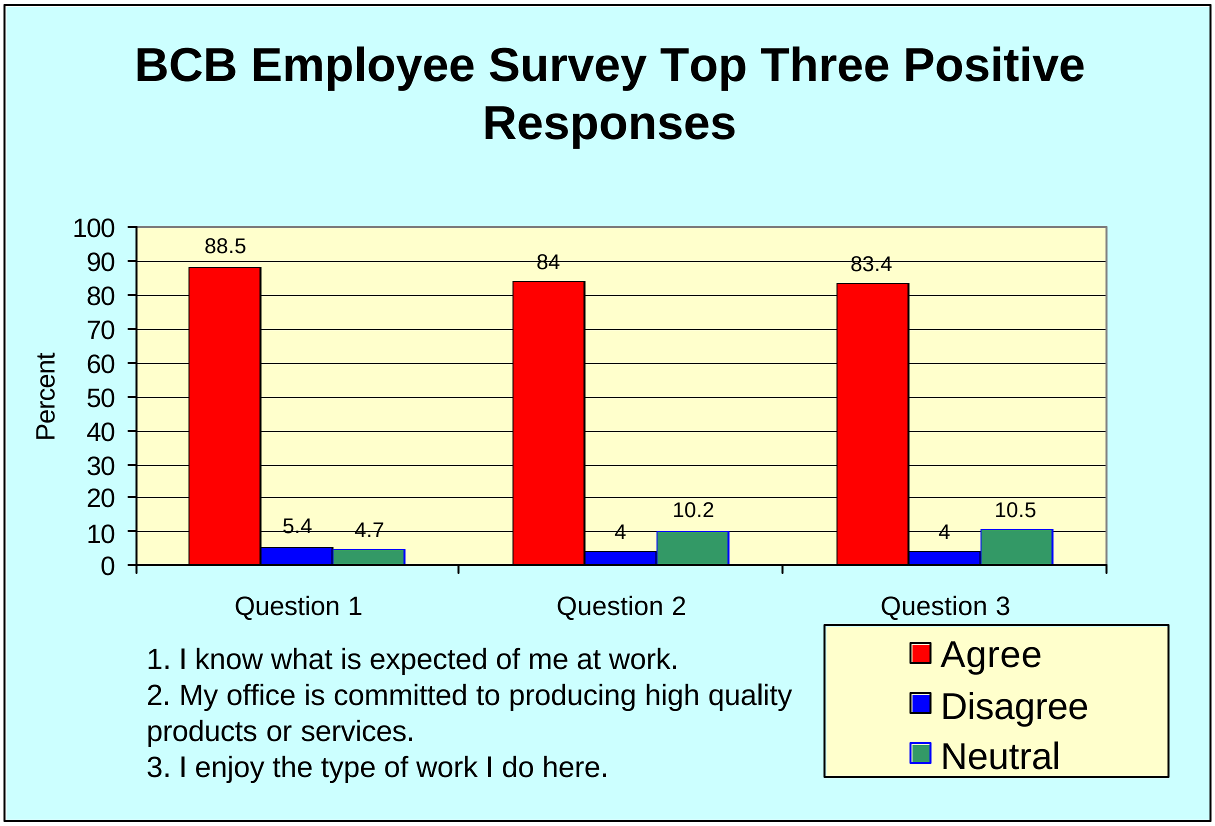

State Agency Facility Savings from SC Energy Office Projects
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Good
$192,392
$536,172
$618,468
$783,006
$1,030,660
$1,036,887
$1,049,268
$1,129,500
1995-96
1996-97
1997-98
1998-99
1999-00
2000-01
2001-02
2002-03
Cost savings to state agencies through implementing energy saving projects has resulted in cumulative savings of $6.4 million to date.

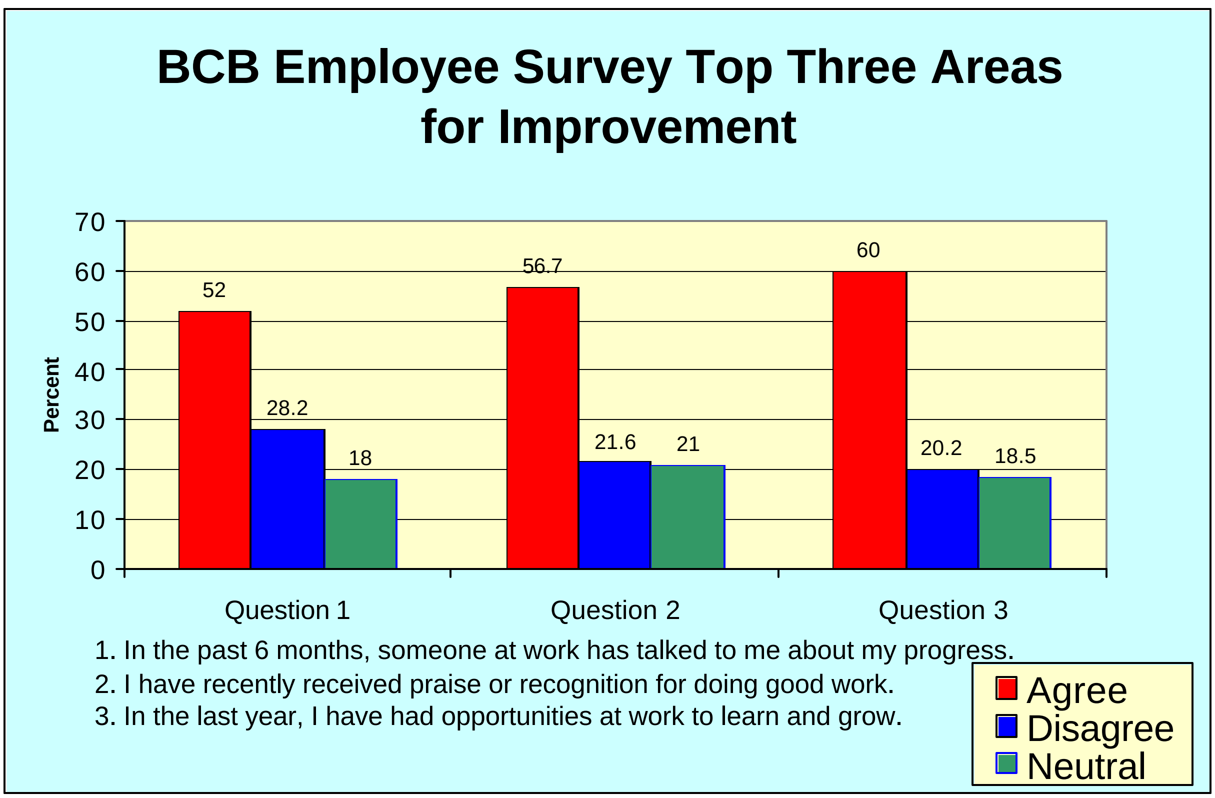

School Districts Savings from Energy Office Projects
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Good
$24,625
$68,866
$147,182
$198,532
$227,537
$249,856
$437,851
$621,914
1995-96
1996-97
1997-98
1998-99
1999-00
2000-01
2001-02
2002-03
Cost savings to school districts through implementing energy saving projects has resulted in cumulative savings of $2.2 million to date





In FY03, OHR's operating budget was increased by $605,763 to facilitate direct payments to the Division of CIO for HRIS operational costs. FY02-03A reflects costs without these funds; FY02-03B reflects costs with these funds.


BCB Employee Survey Top Three Positive Responses
100
90
80
70
60
50
40
30
20
10
0
Percent
88.5
5.4
4.7
84
4
10.2
83.4
4
10.5
Question 1
Question 2
Question 3
1. I know what is expected of me at work.
2. My office is committed to producing high quality products or services.
3. I enjoy the type of work I do here.
Agree
Disagree
Neutral


BCB Employee Survey Top Three Areas for Improvement
70
60
50
40
30
20
10
0
Percent
52
28.2
18
56.7
21.6
21
60
20.2
18.5
Question 1
Question 2
Question 3
1. In the past 6 months, someone at work has talked to me about my progress.
2. I have recently received praise or recognition for doing good work.
3. In the last year, I have had opportunities at work to learn and grow.
Agree
Disagree
Neutral