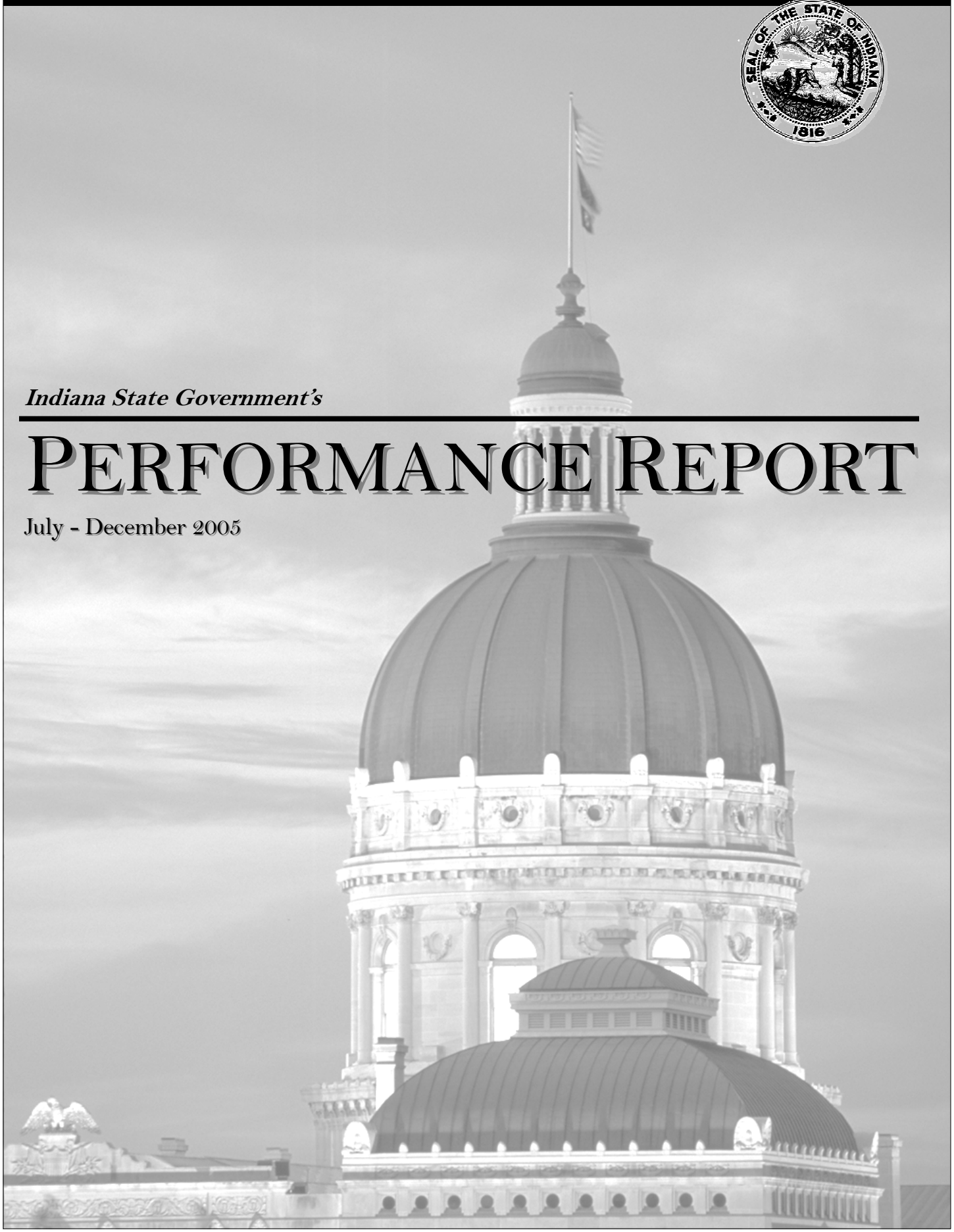
Volume I, No. 2 March 31. 2006 Office of the Governor



Indiana State Government's

PERFORMANCE REPORT

July - December 2005

PERFORMANCE REPORT

July - December 2005

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STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

Memorandum

To: **Governor Daniels**
From: **Betsy Burdick, Director of Cabinet & Agency Affairs**
Date: **March 31, 2006**
Re: **Agency performance reports and metrics for July through December 2005**

Upon taking office, you established a set of goals for all state government and employees to focus on increasing jobs and income growth in our state, improving customer service, reducing waste and spending Hoosier tax dollars in the most prudent way possible. Attached are a narrative report on progress during the second half of 2005 and an updated look at how agencies are measuring up to their established performance metrics.

The narrative summarizes achievements, discoveries, successes and shortcomings over the last six months of 2005 in addition to providing highlights of new initiatives and programs of your administration. It provides a snapshot of how state government continues to find areas in need of improvement and aggressively address them while also taking a new look at what government should do for its citizens and develop programs aimed at job creation, economic growth for Indiana and the health and safety of its citizens.

Four agencies have developed performance metrics during the second half of 2005, bringing the total to thirty-four agencies which have established performance measures with targets that are linked to their core mission and are formally reporting results.

This report contains five sections:

- *On the Road to an Indiana Comeback : A Look Back At 2005*— Provides a high-level overview of many of the tough issues and accomplishments tackled during the entire first year of your administration.
- *Special Initiatives* — Provides information on a few programs begun under the Daniels' administration that are worthy of highlighting but that are the result of the collaboration of numerous government and private sector groups and therefore are not attributable to any one particular agency.
- *Report Highlights* — Provides a brief flavor of the information contained throughout the document including descriptions of the many savings measures begun and in some cases completed during the second six months of 2005. **Estimated annual savings, one-time savings and funds redirected toward a better purpose total $100 million for this second six-month period.**
- *Agency Narrat*ives — Provides agency contact information, mission and specific examples of discoveries and actions taken to date as well as cost saving measures and summaries of new programs.
- *Agency Performance Metrics* — Provides actual outcome-based performance measures as well as target ranges to allow agencies to truly measure their success on an ongoing basis. Performance targets have been set at red, yellow and green levels, with green representing superior performance. **Over 73% of reported measures have red or yellow results indicating a slight improvement over the first six months when 87% of reported measures fell into these two categories**; however, there is still significant opportunity for improvement. In some cases, it may take years of unrelenting focus to "get to green" but what is most critical is the year to year improvement in achieving results with the investment of Hoosier tax dollars.

On behalf of your Cabinet and other leaders in state government, we look forward to making this periodic report useful to you, the hard-working people of state government, and the public.

On the Road to an Indiana Comeback: A Look Back at 2005

Strengthening Indiana's Economy

Gov. Daniels and Republican-led General Assembly established the IEDC to focus on job creation and strengthening Indiana's economy.

- In 2005, the IEDC closed 140 deals - more than 2003 and 2004 combined.
  - ◊ Commitments to create 13,500 new jobs.
  - ◊ Retaining 19,500 existing jobs.
  - ◊ Generating $2.45 billion in new investment - more than twice the 2004 level.

- Gov. Daniels and the IEDC led the largest delegation in State history on a trade mission to Taiwan and Japan. Since then,
  - ◊ Aisin agreed to expand its plant in Terre Haute – creating 125 new jobs.
  - ◊ Taiwan agreed to purchase $150 million in Hoosier corn and soybeans.

- Indiana is becoming a national leader in the production and distribution of bio-fuel
  - ◊ Indiana had one bio-fuel plant at the beginning of 2005, but 8 new bio-fuel plants are now under construction.
  - ◊ 10 additional bio-fuel plants are currently in development.
  - ◊ Indiana has gone from zero E85 ethanol pumps for public use in the state to 20.

Gov ernor Daniels succeeded in creating the Northwest Indiana Regional Development Authority to rebuild the economy of this long-neglected area of the State.

- Rep. Chet Dobis (D-Merrillville) compared the economic impact of the RDA to the arrival of the steel industry in Northwest Indiana a century ago.

Gov. Daniels, Lt. Gov. Becky Skillman, and Indiana's Congressional delegation successfully guided Indiana through the BRAC process.

- The Navy originally planned to close Crane, but more than 5,500 jobs were saved and the facility is now poised as a focal point for future growth and development.

- The BRAC process added approximately 1,000 jobs at Defense Finance and Accounting Service Center in Lawrence.

Protecting Indiana Taxpayers

Gov. Daniels and Republican lawmakers crafted the state's first honestly balanced budget in ten years.

- The budget slows the growth in government spending from 6% this past decade to 2.6% and 1.4% in FY2006 and FY2007.

- Gov. Daniels is going further by finding additional millions of savings through more businesslike management of state government.

- Only four areas of state government received a budget increase: K-12 education, child protection, property tax relief, and Medicaid.

Department of Revenue implemented an extremely successful tax amnesty program.

- Indiana Tax Amnesty produced well over $255 million in revenue.
  - ◊ Almost four times more than the legislature estimated.

Indiana's Office of Management and Budget has already trimmed more than $250 million in unnecessary spending from state government.

- The Department of Correction returned 650 inmates from a private prison in Kentucky, saving taxpayers $6.6 million.
- The Department of Administration has disposed of over 2,100 vehicles from the state's bloated motor pool generating over $2.6 million.
- INDOT eliminated one management level at a savings of up to $2.0 million.
- Gov. Daniels' new Office of Technology is saving taxpayers $1 million a year by reusing computer equipment and software rather than always purchasing new.
- And there are hundreds of more examples…(See pages 8 - 9.)

Restoring Hoosiers' Trust in Government

The Governor's new Inspector General is rooting out fraud, corruption, and theft in state government.

- Tips about waste and wrongdoing have increased over 900% from last year.
- Active and completed investigations have increased over 700% from last yer.
- IG investigations have now resulted in the filing of 33 felony criminal charges.
- In 2005, the IG's office returned $7 in savings or recovered money to the state for every $1 spent (i.e., $4,250,000 in captures and savings vs. $600,000 in operating expenses).

Indiana's new Public Integrity Act is helping restore Hoosiers' trust in government.

- Stops the revolving door of state employees leaving the public sector and immediately turning around and lobbying their former agency for business.
- Lobbyists contacting executive branch agencies must now resister and disclose their activities.
- Whistleblowers who report misconduct, misdeeds, and theft in state government are now protected.
- The Inspector General and the Attorney General can now go after and recover tax dollars stolen and defrauded by state employees or contractors.
- Penalties for public misconduct were strengthened.

Being Accessible to Hoosiers

Mitch Daniels is fulfilling his promise to be the most accessible Governor in history.

- In his bio-diesel powered RV 1, Governor Daniels spends more time out meeting Hoosiers than any Governor we've had.

- The Governor has made 171 county visits since taking office, visiting 84 of Indiana's 92 counties at least once, always staying in Hoosier homes, not hotels. For example, he has visited Lake County 11 times, Vanderburgh County 9 times, and Jennings County 2 times.

- Governor Daniels held over two dozen town hall meetings with Hoosiers around the state.

Reforming Indiana Government

Gov. Daniels removed the Department of Child Services from the troubled FSSA to better protect Hoosier children.

- The Department of Child Services has already added approximately 100 new caseworkers, beginning to lower the nation's largest caseload to caseworker ratio.

- For the first time in Indiana's history, the Child Support program met or exceeded all federal performance measures, and earned a record $7 million in federal incentive dollars.

Indiana's new Office of Faith-Based and Community Initiatives encourages Indiana faith groups to work with the state.

- Governor Daniels created the Office of Faith-Based and Community Initiatives on his second day in office.

- The Department of Correction introduced the first faith-based inmate program in state history this past summer.

- The Office of Faith-Based and Community Initiatives led Indiana's volunteer relief efforts during Hurricane Katrina.

Rx for Indiana connected nearly 100,000 Hoosiers to free or discounted prescription medications at no cost to taxpayers.

- Rx for Indiana is serving 4 times the number of people, and delivering 20 times as many dollars in aid, as HoosierRx – a government supported subsidy program which cost tens of millions of dollars.

Indiana's tough new stance is protecting Hoosiers from methamphetamine.

- Drug lab arrests by the Indiana State Police have been cut by two-thirds since March.

- Indiana's new Anti-Meth Law is working to block drug makers from the ingredients used to produce meth.

- The governor ordered meth to be the top priority of the Indiana Criminal Justice Institute and every relevant agency of state government. He also directed the creation of a special Meth Suppression Unit at the Indiana State Police.

- Governor Daniels hosted 13 Midwestern states to share lessons about the War Against Meth.

Improving Our Schools for Hoosier Children

Governor Daniels and the General Assembly worked aggressively to improve public education in Indiana so every Hoosier child can receive a top-notch education.

- K-12 schools were one of only four areas in state government to receive a budget increase.

- Indiana moved its kindergarten enrollment date from one of the latest in the country to Aug. 1 to give more Hoosier children a head start on their education.

- Governor Daniels and lawmakers overhauled the school funding formula to make sure more of Indiana's education dollars follow the students to where they live.

- Gov. Daniels clamped down on extravagant school construction spending so more money can be directed toward instruction and learning. To date, local school borrowing proposals have been reduced by $86 million.

Special Initiatives

Mitch's Kids – Indiana Alliance of Boys & Girls Clubs

Governor Daniels launched a new statewide program on December 29, 2005, that is aimed at improving the education prospects of low income children, particularly minorities. Mitch's Kids, an **effort to enroll 5,000** or more 5-12 year-old at-risk youngsters in the Boys & Girls Club after-school POWER Hour program, is fortunate to have Jermaine O'Neal of the Indiana Pacers serving as team captain.

Governor Daniels has **committed $1 million** in Temporary Assistance for Needy Families (TANF) funds to serve an additional 5,000 eligible students in 2006. His goal is to increase the number of children participating in the program by 5,000 each subsequent year while retaining as many young children as possible as long as they are program eligible. Youngsters who qualify for free or reduced lunch are eligible for Mitch's Kids. The Boys and Girls Club will work with the Indiana Family and Social Services Administration to identify and enroll eligible children. There are 66 Boys & Girls Clubs located throughout Indiana.

The POWER Hour is an after-school program that targets math and reading skills development while helping kids develop good daily homework habits. The POWER Hour program, developed by Boys & Girls Clubs of America, focuses on improving reading and math fluencies by enabling members to complete their homework, receive individualized tutoring, and prepare for class with staff and volunteer encouragement and assistance. The activities conducted in this program will relate to Indiana State Academic Standards.

According to Boys & Girls Clubs statistics, one national study of POWER Hour showed **an 11 percent increase** in overall grade point average (GPA), with a 16 percent increase in math GPA and 9 percent increase for reading GPA by youngsters who participated in the program. The students reduced the number of days they were absent from school **by 66 percent**.

Help Thy Neighbor

On December 13, 2005, Governor Daniels announced a final step to Indiana's overall strategy to prepare for higher winter heating fuel costs through the establishment of the Help Thy Neighbor Fund. The Help Thy Neighbor Fund is a voluntary charitable trust that helps Hoosiers struggling to pay their winter heating bills. Families whose incomes are 150 percent to 200 percent of the federal poverty level are eligible for help from this fund. Governor Daniels has called on fellow Hoosiers to donate to the Help Thy Neighbor program to ensure that the fund reaches as many people who need assistance as possible. The first gift to the fund was a **$5 million grant** from the Lilly Endowment. Additionally, the state's three gas utilities, NIPSCO, Citizens Gas and Vectren jointly **donated $1 million** to the fund.

To qualify for assistance from the fund, a customer must have received a disconnect notice from any of the state's natural gas utilities during the 2005-2006 heating season. When customers receive a disconnect notice, the next step is to contact their utility, which then may qualify them for assistance in the form of a one-time $200 heating bill credit. If the $200 brings the customer current on the bill, the family would be placed on the utility's budget plan. If the customer still owes on the bill after the $200 credit, the utility would make payment arrangements, which means there would be no disconnection at that time.

Rx for Indiana

Rx for Indiana is designed to simplify the process for Hoosiers to reach pharmaceutical companies that offer low-cost or free prescription medications. *Rx for Indiana* links patients with information about pharmaceutical assistance programs provided by various companies through the state or federal government. *Rx for Indiana* provides a one-stop shop for patients, health care providers, and caregivers to obtain information about more than 2,500 medications available for free or at a significantly reduced price through more than 475 programs offered by pharmaceutical manufacturers, the government and other organizations.

In only nine months, the *Rx for Indiana* program matched over **95,000 Hoosiers** with programs providing prescription drug assistance. The program's initial outreach goal is 100,000 Hoosiers.

The governor's Office of Faith Based and Community Initiatives plays a key role in organizing the volunteer training effort and awareness of the *Rx for Indiana* program.

Rx for Indiana is a clearinghouse of prescription assistance programs developed by the Pharmaceutical Research and Manufacturers of America. Nearly **70 partner organizations** are working to help Hoosiers find help with their prescription medication costs through *Rx for Indiana*. For more information, visit www.RxforIndiana.org, or call toll-free 1-877-793-0765.

Meth Free Indiana

Methamphetamine is one of the most dangerous and debilitating illegal drugs on the market; it is far deadlier and ten times more addictive than crack cocaine. When Governor Daniels took office in 2005, Indiana led the nation in the seizure of meth labs. In March 2005 alone, 141 labs were discovered statewide – the highest number in the state's history.

Twelve months later, meth offenses are down over 60%. These encouraging early results are the product of the Governor's methamphetamine initiative, a sweeping collection of state-sponsored measures designed to eradicate meth statewide. Led by the Governor's Meth Free Indiana Coalition, a consortium of over thirty state and local agencies, universities, and private sector partners, the Governor's meth initiative now crosses every discipline and has identified over $10 million that has been dedicated to these efforts.

The Indiana State Police created the Meth Suppression Unit – the first such law enforcement body in the state devoted solely to meth enforcement and interdiction. The group has tripled in size, is now located in every Indiana State Police district, and has worked closely with its local and federal law enforcement partners to address the growing problem of international methamphetamine trafficking.

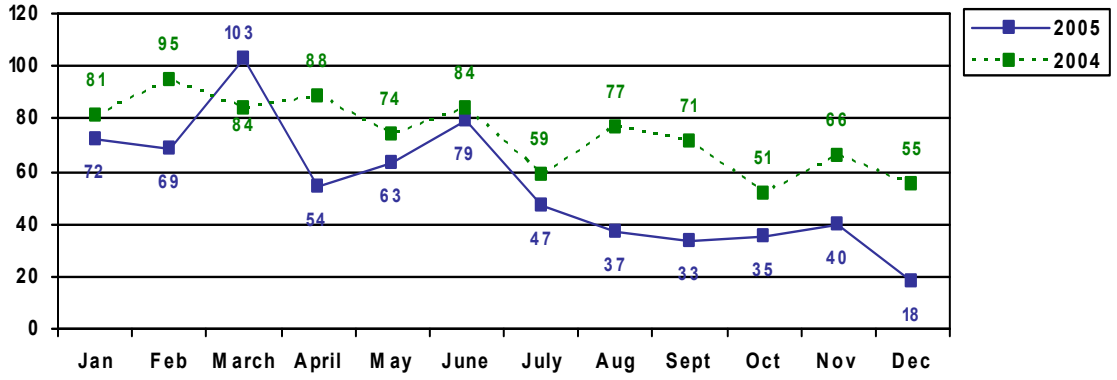
The Department of Child Services created and distributed a uniform "Drug Endangered Children" protocol to establish standard procedures for the removal and treatment of children in meth labs. The Family and Social Services Administration has dedicated a portion of its $15 million Strategic Prevention Framework State Incentive Grant to develop new strategies to help prevent meth use. The Indiana Department of Environmental Management is promulgating new rules for the cleanup and remediation of former meth labs. And finally, the Indiana Criminal Justice Institute, the agency coordinating the state's meth strategic plan, is developing the nation's first Meth Data Repository, a system to better collect, analyze, and disseminate information about meth use in Indiana.

In January of 2005, prosecutors across the state were experiencing significant delays in the successful prosecution and conviction of meth offenders because of a severe backlog that had developed at Indiana State Police laboratories in the processing and analysis of drug samples. Over 8,000 samples were waiting to be processed when the Governor partnered with prosecutors and the state's universities to implement a unique backlog reduction program. The state implemented a "real time" reporting database between prosecutors and State Police labs that allowed cases that were closed or resulted in guilty pleas to be instantaneously removed from the backlog. Indiana also started a pilot project with the forensic science program at Indiana University-Purdue University at Indianapolis that allowed prosecutors in central Indiana to submit some samples to experienced academic scientists at the university. The results have been overwhelming. In less than a year, the backlog has been reduced by 76% and meth cases are being processed without delay for successful prosecution.

The Governor also signed the Meth Prevention Act into law last year. The legislation restricts the sale of ephedrine and pseudoephedrine products which are the critical precursor ingredients needed in the manufacture of methamphetamine. This bill was also the first such legislation in the country to restrict the sale of liquid forms of meth precursors. The Governor's "Meth Watch" program has educated the public and retailers on the implementation of this new law and other useful tips for identifying and reporting meth abusers. Soon the state will launch an electronic tracking system that will allow law enforcement to better identify unusual and abnormally large purchases of these precursor products.

In December 2005, Indiana was selected as the site of the nation's first Meth Summit, an event hosted by the Midwestern Governors Association and the White House Office of National Drug Control Policy, in recognition of Indiana's innovative approach to tackling the meth problem. Delegates from across the country toured the "Clean Living is Freedom Forever" ("CLIFF") program at the Miami Correctional Facility, the first dedicated methamphetamine prison rehabilitation unit in the country, now being widely copied by other states. New meth rehabilitation units have expanded to other prisons in Indiana, including at both female and juvenile correctional facilities. The first "CLIFF" class graduated from this program in October 2005.

Meth Drug Lab Arrests (2004-05)



Buy Indiana

From no system to a system of registration, measurement, and results - Buy Indiana is putting more money in Hoosiers' pockets.

- Prior to 2005, at best one can determine 62% or less of Hoosier tax dollars were being spent with Indiana companies.
- As of the end of 2005, the State of Indiana was purchasing **74% of its goods and services** from Hoosier companies (and rising).

Indiana is putting Hoosiers to work by Buying Indiana on 86% of its active contracts in 2005.

- 4,071 active awarded contracts since January 10th
- 3,518 contracts awarded to Indiana designated/certified companies or organizations
- 553 contracts awarded to Out of State designated/certified companies or organizations

$0.74 of every tax dollar being spent on goods and services is going to Indiana companies.

- Over $564 million was spent by the State of Indiana
- Over $418 million was spent by the State with Indiana companies

Buy Indiana is working to keep Hoosier tax dollars at home to put Hoosiers to work. Among many examples:

- The DWD Unemployment Insurance Modernization Project that was originally awarded to TATA Consulting of India has been awarded to Haverstick Consulting of Carmel, IN. The contract is valued at $24 million over 3 years.

- Crystal Food, an Indiana company, won the DOA Cafeteria Food Services contract. Crystal provides cafeteria services to the Indiana State Government Center and pays annual rent to the State of $240,000. Crystal replaced French-based Sodexho.

- FSSA's prime food contract was awarded to Stanz Food Services and Wabash Food Service, both Indiana headquartered companies. Each company's contract is worth $500,000. Stanz and Wabash replaced Michigan-based Gordon Food Service.

- DOA consolidated all of the state's advertising purchasing with Ft. Wayne-based Asher Agency. The state previously used at least five separate agencies to purchase advertising. The consolidation will save $500,000 annually.

- DOA had spent over a half million dollars with a California based company for its MWBE disparity study. Under Gov. Daniels, the study is now being completed by Indiana-based MBE Bucher and Christian Consulting Inc.

- Aramark was awarded the contract for providing prime food services to all DOC facilities across the state. This contract is valued at $112 million over 10 years. Aramark is an Indiana company based on its employment of over 3,500 Hoosiers, corporate withholding, and sales taxes paid in Indiana.

- Mid-America Health was awarded the comprehensive dental services for all DOC facilities. It is a contract valued at $18 million over five years. Mid-America is based in Indianapolis, IN.

- The Janitorial Services contract for Indiana Government Center went to Nishida, an Indiana certified minority firm. The contract is valued at $5.4 million. The contract calls for a blended workforce between Nishida and DOA employees. No DOA employees lost their job as a result of this contract.

- DOR's Tax Amnesty Collection contract was awarded to General Revenue Corporation, an Indiana company. The contract amount was $7.5 million, and helped produce over $255 million in pledged collections, four times the predicted amount.

Report Highlights

In the first six-month performance report (January - June 2005), $155 million were reported in cost savings. (*Note: Cost saving initiatives includes one-time savings, annual savings, and funds that are being redirected for a better use.*) For this second six-month period, an additional $100 million in cost savings was identified. These figures do not include funds raised from the successful tax amnesty program (over $255 million) or the money saved by local property taxpayers due to school construction guidance provided by the Department of Local Government Finance ($86 million).

Overall, Indiana State Government is operating more efficiently than it was at the start of 2005. There are now seven fewer state agencies. The number of employees working for the state (full-time and part-time) decreased by approximately 3,000 from 39,079 to 36,068, resulting in payroll and overtime reductions of over $50 million annually.

Cost savings, agency reorganizations, and service improvements from July to December 2005 are estimated at more than $100 million. Selected examples of these initiatives are presented below:

- DOC negotiated a new medical contract that will achieve savings of approximately $4.75 million in the first year, and **more than $19 million** over the length of the contract.
- To date, 2,152 vehicles have been identified for surplus; 1,909 of which have been disposed. **This is an increase from 498 sold at a net of $808,207 reported in the first six-month report.**
- The State spends approximately $4.3 million annually on copiers or multi-functional devices. It is estimated that almost 70% of over 1200 machines are underutilized. Reducing our capacity 70% can result in a minimum of $500,000 in annual savings.
- With a reduction in the number of branches across the state, the number of BVMC regional managers was also reduced from 12 to 10 with estimated annual savings of $150,000.
- When combining the costs of pharmacy dispensing fees and the pricing discount off the average wholesale price (AWP) for prescription drugs bought by Medicaid, FSSA was paying more than other states pay. FSSA decided to focus efforts to increase the pricing discount off the AWP for prescription drugs from 13.5% to 16%. Estimated **savings in FY06 are $2.3 million**.
- The Office of Inspector General **captured over $4 million** in 2005, exceeding three-fold the OIG budget.
- Due to system implementation and procedure changes, the bookkeeping function is no longer necessary in individual BMV branches, resulting in annual savings of **approximately $3 million**.
- Contracted custodians are servicing the North Building, State Library, and Historical Society; state employees will continue to provide services to the Statehouse and the South Building. Expected savings through June 30, 2006 are expected to approach $250,000.
- The Colts license plate was implemented in 90 days with an auction that generated over $100,000 in funds for the stadium authority.
- FSSA implemented annual plans for recipients of the developmental disabilities, support services, and autism waivers, which serve over 9,000 people. These plans allow for simplified billing, documentation, reporting, and revised service definitions, allowing the provider flexibility to best serve the client's needs and helping the client to meet his/her goals. Estimated FY06 **savings of $5.5 million** will be allocated to serving more Hoosiers on the waiting lists.
- The immunizations program within the Indiana State Department of Health realized savings of $217,324 by converting 16 contract positions to staff positions, eliminating two positions, and eliminating an outside contractor management fee.
- The Hoosier Lottery achieved annual savings of $200,000 by closing the Region 5 (Muncie) office.
- Penalty collection has been a major area of improvement for the Department of Labor. The combined efforts of the Board of Safety Review, the State Attorney General's Office, an outside collection agency and the Agency's own efforts **netted the State nearly $265,000 in the last six months of 2005.**
- The Alcohol and Tobacco Commission tested the market for 800 MGHz radios, and discovered that an alternate supplier could provide the necessary radios with a savings of more than $30,000.

- The State Personnel Department improved the benefit offerings to State employees. A new contract with the State's life insurance provider will save money for both the State and employees in premium cost. The savings to the State total approximately $370,000 annually.
- The Indiana Office of Technology developed a Center of Excellence for Geographic Information Systems (GIS**) combining the talent and resources of six of the largest agencies that use GIS.** This has saved the state $180,000 in training andsoftware license fees. By consolidating the State's GIS assets, the state not only realized immediate savings, this will have a material impact on the cost of delivering GIS applications going forward.
- The BMV renegotiated contracts with Digimarc (driver licenses) and ITI (registrations and stickers) for estimated annual **savings of $2.5 million**.
- Rates charged other state agencies by the prior IT service agency included considerable internal "profit," which resulted in expensive IT services to state agencies. IOT restructured the rates to be based on the cost of delivering the services. The rates went into effect on July 1, and IOT estimates **$16 million will be saved** annually.
- New processes at INDOT are reducing the quantity and types of items held in sub-district stock rooms. This has resulted in **savings of $2.5 million**.
- INDOT's mail room operation was streamlined for an annualized savings of nearly $25,000.
- FSSA updated earlier savings estimates on a variety of initiatives, revealing it had previously underestimated savings by **approximately $2.1 million**.
- The State of Indiana is saving Hoosiers over $500,000 annually by consolidating the purchasing of advertising with a single agency. Previously, Indiana government used five agencies to purchase advertising for everything from the Lottery to the State Fair. Fort Wayne-based Asher Agency now purchases all advertising for state government agencies.
- DOC negotiated a contract with LexisNexis to provide inmates constitutionally-mandated access to legal resources. Previously, these resources were purchased by each of the DOC facilities in a disaggregated and inefficient manner. As a result, the **DOC will save at least $400,000 each year**, and the resources will be made available at 6 additional facilities.
- Indiana has almost 50% more nursing facility beds than the national average; supply exceeds demand. FSSA is more appropriately assessing the needs of seniors, looking to alternative care options instead of most often defaulting to nursing homes. A temporary (90-day) moratorium for new Medicaid certifications on nursing home beds began on 12/15/05. The Medicaid Oversight Committee also approved a nursing facility reimbursement rate containment proposal to reduce the rate of payment to nursing facilities. This will result in estimated FY06 **savings of $12.9 million**.
- DOC hired a third-party contractor to operate the New Castle Correctional Facility at a **savings of at least $2 million** annually.
- So far this year, as a result of the vehicle reduction project, IDOA Motor Pool has recycled underutilized vehicles to either replace poorly operating units or, in the case of the Inspector General, provide vehicles for a new department. This has totaled 30 vehicles that otherwise may have been purchased new. Based on the types of vehicles redistributed, this has resulted in a **one-time savings to the state of approximately $477,300**.
- In addition to its regular process of providing surplus computer units to schools, state surplus has transferred 532 PCs to DOC for offender use. Total savings to DOC for this project are approximately $800 for a new machine, totaling more than $425,000.

In addition to identifying cost savings to become more efficient, state agencies are also continually striving to improve performance in pursuit of their organization's mission. Now that the state's performance measurement system has been in place for more than six months, we are able to assess trends in metrics and gauge progress. **There were five agencies that either scored consistently high on their current performance measures, or demonstrated marked improvement in a majority of their measures since the previous six-month report:**

- Bureau of Motor Vehicles
- Hoosier Lottery
- Inspector General
- Indiana National Guard
- Public Employees Retirement Fund

For more details on the performance measurement results, please refer to the Appendix.

Department of Administration

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The Indiana Department of Administration (DOA) is an umbrella agency that provides support services to other state agencies to aid the smooth functioning of state government. IDOA manages and maintains state-owned facilities and assets, provides construction services to state agencies, and administers the state procurement and professional services contract functions, minority- and women-owned business certification programs, as well as the state motor pool fleet, travel, printing, real estate, and surplus/warehouse operations.

Procurement

Discovery: The State spends approximately $4.3 million annually on copiers or multi-functional devices. It is estimated that almost 70% of over 1,200 machines are underutilized – the average monthly volume does not exceed the contract allotment.

Action Taken: IDOA has instituted a revised policy for reviewing the purchase orders for these units. In the first week this resulted in savings of between $800 and $6,000 over the life of a unit's contract. Reducing our underutilized capacity can result in a minimum of **$500,000 in annual savings**.

Minority and Women's Business Enterprises

Discovery: Certification processes did not include the legally required site visits for firms undergoing recertification and the legally required affidavits attesting to the continued eligibility of firms.

Action Taken: Since February 2005, **the division has conducted 175 site visits** to complete the certification of firms whose certifications were not completed by the previous administration and has begun enforcing the affidavit requirement. Approximately 11 firms were removed from eligibility as a result of site visits. Approximately 93 ineligible firms were removed as a result of the affidavit requirement. 229 new MBEs and 363 new WBEs were certified in 2005.

Facilities

Discovery: A concern was identified by both the Facilities Management Division of IDOA and the Inspector General, as outlined in his report #2005-01-0041, that lights within the Indiana Government Center were remaining on past the normal hours of operation.

Action Taken: A procedure was implemented to sequence IGC lighting. The lights are now turned off after janitorial work is completed for each floor. Based on the Inspector General's report, an annual lighting and utility cost **savings of $210,000** is expected.

State Department of Agriculture

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The Indiana State Department of Agriculture fills a leadership role in the agricultural industry. Many commodity and farm groups have their own special area of advocacy, but no one organization is fostering statewide initiatives to position agriculture's future. Since its inception, ISDA has been looking toward Indiana's future and working to position us now to take advantage of our opportunities.

Accomplishments:

- ISDA led an agricultural comeback at the Indiana State Fair this year, highlighting all seven of the Department's key strategies during the two-week long event. Whether it was giving away a free gallon of ethanol-blended fuel, handing out cost saving coupons for bacon or educating fair-goers about good woodlot management, ISDA highlighted agriculture in the modern world to this year's fairgoers.

- ISDA initiated a pilot program called the County Strategic Team Process (CST) to insure that all counties have their own agriculture strategic plan.

- Governor Daniels and Agriculture Director Miller unveiled the country's first **BioTown, USA**, in Reynolds, Indiana. This project will showcase existing and future technologies that use agricultural products and by-products as fuel, electricity and heating sources. By November 2005, Reynolds town vehicles ran on E85 and B20. Lt. Governor Skillman gave away 20 new GM flex-fuel vehicles to BioTown residents; special incentives on GM flex-fuel vehicles allow many more town residents to purchase E85 vehicles; and the local BP station is committed to creating a BioIsland of E85 and B20 fuels.

- In its first year, ISDA worked with IEDC to bring **six ethanol plants** and **two biodiesel plants** to Indiana.

- ISDA hosted the East Central Economic Development Summit in Muncie. This half-day summit featured guest speakers from the economic development and agricultural industries providing data on how agriculture can be part of local job creation and sustainability. Three farmers and one food processor also put "faces" on the industry by opening their operations to the public through a video. The video was important to show modern farming and how it contributes to the local economy.

- The first win from the Governor's Asian Trade Mission was in agriculture when a Taiwanese Agricultural Goodwill Mission signed an agreement to purchase Indiana corn and soybeans. To cultivate even more agriculture economic development opportunities, ISDA created an economic development team to focus on bioenergy, diversity of production, corporate and international development and pork production.

Alcohol and Tobacco Commission

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The general purposes of the Alcohol and Tobacco Commission's (ATC) work, as defined by law, are to protect the economic welfare, health, peace and morals of the people of this state; to regulate and limit the manufacture, sale, possession, and use of alcohol and alcoholic beverages; and to provide for the raising of revenue. The commission licenses and regulates nearly 10,000 permits for the manufacture, operation or sale of alcoholic beverages at all restaurants, breweries, wineries, grocery stores, hotels, drug stores, package stores, stadiums, civic centers, social and fraternal clubs, horse tracks and river boats throughout the state. In addition, the Commission also licenses and regulates the permits of every bartender, waiter, waitress, salesperson and clerk associated with the sale or service of alcoholic beverages in the state - almost 100,000 in number. The ATC is responsible for raising revenue of approximately $42 million for the citizens of Indiana.

The Indiana State Excise Police are the law enforcement division of the ATC. State Excise Police officers are empowered by statute to enforce the laws and rules of the Alcohol and Tobacco Commission as well as the laws of the State of Indiana. Our agency's primary goal is to reduce the access and availability of alcohol and tobacco products to minors.

Accomplishments:

- Found alternative funding source (from FSSA) to continue to support the Tobacco Retailer Inspection Program when the funding from the Indiana Tobacco Prevention Cessation was reduced.
- Tested the market for 800 MHZ radios, and discovered that an alternate supplier could provide the necessary radios with a **savings of more than $30,000**.
- Entered into a Memorandum of Understanding with Department of Natural Resources to relocate the Excise District Two Office with its enforcement division.
- Working to purchase a law enforcement records management system (CODY System) that will allow for better field reporting and records management for violations and known offenders.
- **Increased criminal history checks of licensees by 100%**.
- Revamped the police case reporting system to streamline the process for resolving alcohol and tobacco violations.
- Increased the amount of server training by 50%.

State Budget Agency

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The mission of the Indiana State Budget Agency is to achieve excellence in financial decision making and fiscal results on behalf of the Governor and in support of the General Assembly. The State Budget Agency facilitates the processes of revenue forecasting, budget development, and budget implementation. The Budget Agency evaluates and communicates the fiscal impact of legislative proposals with the objective of providing decision makers with accurate and timely information.

Accomplishments:

- Enhanced partnerships with state agencies through embedding budget analysts in several major state agencies
- Created first version of quarterly budget and financial internal management report
- Led implementation of PeopleSoft financials and creation of new state chart of accounts
- Partnered with state agencies to implement the FY06 budget with the lowest rate of growth in over 50 years
- Negotiated agreements with over 30 counties to recover outstanding juvenile arrearages owed to the state collecting **approximately $20 million** to date
- Developed spending plans in cooperation with state agencies to **balance the FY06 budget**

Bureau of Motor Vehicles

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The Indiana Bureau of Motor Vehicles provides licenses for qualified drivers and registers and titles motor vehicles. The bureau also maintains records related to these functions and discharges the policies of the Indiana Bureau of Motor Vehicles Commission, which operates Indiana's license branches.

Discovery: With reduction in number of branches across the state, number of BMVC regional managers could also be reduced.
Action Taken: **Moved to 10 regional managers from 12. (Estimated annual savings = $150,000)**

Discovery: 50¢ fee charged by Access Indiana for Internet transactions could be an impediment to online transactions. Not able to pay by check on internet registration renewals.
Action Taken: Negotiated elimination of this fee to reduce the number of in-branch visits required by constituents. Also enabled customer to pay by check on registration renewals

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Discovery: We have the means to increase branch transaction capacity and move closer to our goal of 20-minute visits without increasing personnel costs.
Action Taken: We added terminal capacity to 75 branches, over one-half of the branches in the state. 128 terminals were added, giving us a 24% increase in production capacity on average in those 75 branches.

Discovery: Due to system implementation and procedure changes, the bookkeeping function is no longer necessary in individual branches.
Action Taken: Eliminated 150 positions. (**Estimated annual savings = $3 million**)

Discovery: Existing contractual agreements with driver license and registration vendors needed to be improved upon.
Action Taken: Renegotiated contracts with Digimarc (driver licenses) and ITI (registrations and stickers). (**Estimated annual savings = $2.5 million**)

Discovery: In the past, training for branch managers to review procedure changes, build teamwork and address personnel issues has been extremely inadequate.
Action Taken: 3-day branch manager training seminar held in December in Indianapolis for all managers across the state.

Other Accomplishments:

- STARS (System Tracking And Record Support) enterprise management software implemented in all branches. Percentage of transactions completed in STARS went from less than 5% in June to more than 75% in December. This will enable us to improve accuracy, efficiency, and control, as well as customer service going forward.

- Using generic plates with stickers for trucks, buses, trailers, etc. Reduced plate inventory from 69 to 3 different types. Saves thousands of dollars in inventory and waste, while improving efficiency.

- Opened 4 new branches: Columbus, Valparaiso, Muncie, Kokomo.
  Opened 2 new satellite branches in partnership with banks: Mt. Vernon, Bloomfield.
  Opened new community branch in Clay City and have a signed contract for one in Morristown.

- Revised insufficient funds check repayment procedures to be completed in any branch. Previously, customers had to drive to Indianapolis to cover these funds.

- Commission completed reviews and implemented pay raises based upon merit. This affected over 1,600 commission associates.

- Web cameras were installed in all branches in order to enable management to monitor, in real time, customer service across the state.

- All STARS transactions have a receipt which logs how long a customer was in the branch from the time they were entered in at the expeditor station to the time the transaction was completed. Customers will know exactly how long they were in the branch and we can monitor their experience.

- Colts plate was implemented in 90 days with auction that **generated over $100,000** in funds for the stadium authority.

- New dress code and progressive discipline policies initiated in the BMV as well as the BMVC.

- Central Verification Processing unit, which processes applications for non-residents of the U.S. for driver licenses and ID's, reduced backlog from 65 days to 30 days. This results in quicker turnaround for these customers.

- **Reduced backlog of microfilming title and registration documents from 30 days to 5 days**.

- Revised all policy and procedure manuals and placed them on our Web site for easy access by customers.

- Twenty additional courts are sending abstracts electronically to update personal driving records. This improves timeliness and accuracy of a driver's history.

- Redesigned vehicle and watercraft registrations to be more user friendly and accurate. Significantly reduced return mail because of lack of insurance information. Also combined registrations to be mailed together, including trailers, watercraft, antique vehicles, etc. Previously required multiple visits to a branch. Now all can be done at the same time.

- Published new driver manuals and tests in English and Spanish. Spanish manuals and tests not previously updated since 2000 and 2001, respectively.

- Insurance verification form now mailed directly to BMV instead of going through State Police. This will improve timeliness and accuracy, causing fewer suspensions because of paperwork processing issues.

Department of Child Services

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The Department of Child Services (DCS) is a new department within Indiana State Government, carved out of the Family and Social Services Administration by Governor Daniels' executive order in January 2005 and formally authorized by the Legislature in SEA 529. The Department has responsibility for child protective services (abuse and neglect of children), child support issues, foster care, independent living and certain prevention services. There are DCS offices in Indiana's 92 counties serving children, families and communities.

Major initiatives and accomplishments of DCS are outlined below:

- **Practice principles**: Based upon the newly defined vision, mission and values of the Department of Child Services, staff from across the state came to consensus on a set of principles that will guide how we work with children, families and the community. This framework provides a vision for practice, outlines policy philosophy and clarifies behavioral expectations necessary to improve practice. Application of these principles should lead to better outcomes for children and families and will eventually lead to increased placement stability and decreased time to permanency (metrics 3 and 4, respectively).

- **Practice reform**: A major initiative designed to change the way DCS works with families. The approach involves coaching family case managers to work from a different perspective: one that is truly family-centered, strengths-based and focuses on family engagement. Consultants from Casey Strategic Consulting and Child Welfare Policy and Practice Group are training two regions to develop how practice of this type is different from current approaches. These two regions will serve as the pilots to mentor and model best practices to the other regions. Although these are philosophies often cited, in reality they are inconsistently applied to work with families.

- **Hiring of Family Case Managers (FCMs)**: Of the 200 new family case managers funded by the legislature for state fiscal year 2006, 103 were hired through the end of the year. Due to a higher turnover than expected, however, the net **gain for the year is 83**. At year end, caseloads in all counties were on track to be improved once trainees moved to the field. In fact, 19.6% of counties are currently at the standard established by the legislature in 2005 (metric 2). DCS is on track to fill the remaining 97 positions by the end of the fiscal year.

- **Training redesign**: The training program for newly hired case managers was realigned and condensed into a twelve-week program. It now allows for new staff to be fully classroom trained when they are assigned to the county; the county then continues with on-the-job training and a gradual increase in responsibility for cases. For the first time in Indiana history, DCS partnered with six campuses in Indiana to provide tuition assistance to undergraduates in the Bachelor of Social Work programs on these same six campuses. Upon graduation, these students are required to become employees of DCS. In addition, DCS is in negotiations with IUPUI and the School of Social Work to implement a training system that will be run and administered by the university.

- **Federal funding enhancements**: Over the course of 2005, DCS was able to increase the penetration rate (the percentage of all children who are determined to be eligible for federal funding) by 1.3%. Each percentage point increase equates to $200,000 in additional revenue to the state on an annual basis. In addition, the state filed retroactive claims dating years for additional federal reimbursement. In total, the state **recovered over $4 million** that was returned as an offset to the indirect expenses of DCS, DFR, FSSA and the state. A major accomplishment occurred when DCS was able to successfully **receive $30 million** in funds due to the state that accrued since 1997. These funds represent the savings generated from participation in a five-year IV-E waiver demonstration project that allowed federal reimbursement for services not typically paid by IV-E. Finally, the state was found to be in substantial compliance with the federal audit of IV-E claiming, avoiding penalties and pay-backs.

- **CAPTA compliance**: Became the second to last state in the union to become CAPTA (Child Abuse Prevention and Treatment Act) compliant, allowing access to $575,000 in additional federal funding.

- **Regional Service Councils**: Established councils in all eighteen regions across the state for the purpose of assessing the program needs of children and families that DCS serves and ensuring those needs are met. Councils will contract regionally with providers to ensure the optimum service array, pricing and outcomes.

- **Child Welfare Service Standards and Funding**: For the first time, service standards and outcomes were established for all services funded by DCS and local offices. This allows for uniformity and accountability.

- **Employer income withholding**: Completed 90% of the transfer (from the county clerks' office to the state) of collecting and processing employer income withholding payments to custodial parents, a service required by federal regulation. Non-compliance in the arena avoided multi-million dollar sanctions.

- **Paternity establishment**: Met federally required standard for paternity establishment for federal fiscal year 2005, avoiding a penalty of $5.2 million to $7 million.

- **Child support collections**: Identified multiple strategies for increasing collections: Employer Maintenance Unit, centralization of income withholding order printing and mailing, system enhancements and private collection agencies. Metric #1 indicates DCS status to be red currently.

Department of Correction

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The mission of the Indiana Department of Correction (DOC) is to maintain public safety and provide offenders with self-improvement programs, job skills, and family values in an efficient and cost effective manner for a successful return to the community as law abiding citizens. The following summarizes the significant initiatives to improve the quality of service or the efficiency of operations with respect to the Department of Correction.

Discovery: The Department's offender health care service was not efficient because some of the services were provided by a third-party contractor, while other services were performed outside the contract by DOC personnel. Also, offender medical records were not maintained or tracked electronically.

Action Taken: Using formal procurement methods, the Department identified a new medical and dental vendor, and expanded the scope of the contract to include all medical services and required the vendor to build an electronic medical records system for the Department. (**Estimated Savings = $4.7 million first year, $19 million total over the 4-year contract)**

Discovery: Offenders were being released on weekends and holidays when no local service providers were available to assist their transition back to the community by connecting them immediately to supportive resources and treatment programs.

Action Taken: Started releasing offenders only on weekdays, and days before holidays, to insure their immediate introduction to available community resources and supervision.

Discovery: The law libraries the Department is required to maintain at each facility were operating independently, and were found to be very expensive to sustain.

Action Taken: Began purchasing on a more cost-effective agency-wide scale, utilizing new technology. (**Estimated savings: $400,000 annually**)

Discovery: The facility fixtures and equipment necessary to maintain security at several juvenile facilities were deficient, or non-existent.

Action Taken: Installed additional razor wire, security cameras, and other equipment at several juvenile facilities.

Discovery: Due to a three-year downturn of juvenile admissions, there was no need to use a newly constructed maximum-security complex at Indianapolis Juvenile Facility for female juveniles. At the same time, the adult population continued to rise, increasing the need for more space for adult offenders.

Action Taken: Converted a Plainfield-based juvenile facility to an adult facility, and changed the physical layout and security of the Indianapolis Facility so that it could accommodate both male and female students in separate parts of the compound.

Discovery: Offenders were allowed to play all sorts of video games for indoor recreation, including those that were violent, or contained explicit subject matter that might interfere with rehabilitation.

Action Taken: Ordered all "mature" videos be removed, and turned in to retailers for credit on new replacement video games that are suitable for general audiences.

Discovery: The Department was spending as much as $17 million a year on training staff, and the training was not meeting the developmental needs of employees to allow them to more effectively serve the Department.

Action Taken: Asked the National Institute of Corrections to provide a consultant to review DOC's training process and provide recommendations to improve efficiency. Feedback from this consultant was used to develop an improvement plan, which is currently being implemented.

Discovery: Two co-located facilities were operating completely independent of each other.

Action Taken: **Merged Lakeside Correctional Facility into the neighboring Indiana State Prison, for a more efficient sharing of staff and resources.**

Discovery: Indiana's statutory scheme for awarding earned credit time to offenders for educational programs can be manipulated by offenders able to acquire multiple associate degrees in a short amount to time by taking only a few classes.

Action Taken: The Department changed policy so as to restrict an offender's ability to manipulate earned credit time laws.

Discovery: Excess inventory has been allowed to sit unaccounted for at all facilities.

Action Taken: Developed an inventory of centralized supplies, allowing otherwise hidden and unused assets to be found and utilized by all facilities.

Discovery: Facility offender recreation and education funds are generated primarily by profits from its own commissary. This caused small facilities to have little or no recreation/education funds, while larger facilities had hundreds of thousands of dollars, which they routinely "spent down" at the end of each fiscal year. There was also no oversight on how these funds were spent.

Action Taken: **Organized all recreation funds into a single account, with dispersals approved by a designated administrator charged with balancing the needs at all facilities.**

Discovery: Following complaints raised in 2004 relating to three juvenile facilities, the U.S. Department of Justice investigation concluded that more needed to be done to protect students from harm, to improve mental health services, and to supplement its special education services.

Action Taken: Even before the results of this investigation were in, most of the issues had been addressed; however, an expanded monitoring and reporting process has been instituted, not just at the three facilities subject to the two-year investigation, but unilaterally at all juvenile facilities. Improvements have also been made to staff training, including expanded training on critical topics, and the implementation of a new grievance system.

Discovery: Conducted several unannounced large scale facility sweeps and security reviews and discovered that controlled substances were routinely being trafficked into the facilities, and that the policy which calls for random drug testing on the offender population was not being correctly followed.

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Action Taken: Took measures to insure that drug testing policy is applied evenly and expanded substantially to better control against the introduction of drugs into Indiana prisons. Ordered several additional security measures be taken, and fundamentals enforced to promote a safer prison environment. Prosecution of staff/visitors and offenders.

Discovery: Department has 89 state employee teachers working in juvenile facilities teaching 900 students. Some teachers do not have proper skill sets for teaching special education and vocational training; both of which are in high demand in the correctional setting.

Action Taken: The Department is in the process of implementing its plan to restructure the student/teacher ratio, and raise the requirements for institution teachers.

Discovery: Some of the textbooks used by juvenile students were decades old.

Action Taken: Even though the facilities were not given a budget to purchase new books, the funds were found to cover this necessary purchase.

Discovery: The winter temperatures maintained within housing units varied greatly, and thermostats were often set at 70 to 75 degrees, producing high utility bills.

Action Taken: Established standard policy that all housing units should be maintained at 68 degrees

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Other accomplishments:

- Developed a strategic plan to implement model offender-to-community reentry procedures, which include:
  - ◊ A new reentry website to link emerging offenders with community resources and programs.
  - ◊ Formation of a new "unit team" management structure at all facilities.
  - ◊ Converting the Plainfield Juvenile Correctional Facility to an adult reentry facility dubbed the Plainfield Reentry Educational Facility; which is dedicated to serving adult male offenders returning to central Indiana counties and are within two years of release. This facility uses novel practices to prepare offenders for successful return to their communities as law-abiding citizens.
  - ◊ Working with BMV to pilot a program for issuing legal valid Indiana identification cards to offenders prior to being released from prison, which will allow offenders to cash checks, apply for needed services, more easily secure housing, and more.
  - ◊ Implemented more practical and expanded offender reentry training.
  - ◊ At intake, conducting a risk/needs assessment that identifies the services and treatment the offender needs to prepare them for successful release.

- Introduced process known as "standing mainline" to Indiana DOC facilities. This entails facility executive and Department heads to adjust their schedules so that they can show up during chow times to meet with offenders as they assemble. This informal communication helps resolve issues informally, and provides key staff with important information.

- Reviewed offenders sentenced to DOC strictly for failing to pay child support and assigned more of these offenders to work release to allow them to start paying child support, which the Department then garners from their paychecks.

- Additional housing units dedicated to faith-based and character building programming were developed at seven facilities; including the Branchville Correctional Facility, Westville Correctional Facility, Wabash Valley Correctional Facility, Pen-

dleton Correctional Facility, Pendleton Juvenile Correctional Facility, Miami Correctional Facility, and Indianapolis Juvenile Correctional Facility.

- Indiana will be the seventh state to participate in a "Standardized Performance Based Measurement" system designed to standardize definitions used to produce and share data on various key indicators relating to the business of corrections. This will allow the Department to clearly evaluate how it functions, and allow better comparison with other jurisdictions around the country. This could set the standard for how correctional systems are measured nationally.

- Working with the Indiana Sheriffs Association, Indiana Criminal Justice Institute, and the Attorney General's Office, the Department is taking a lead in supervising the development of a new process that unites the sex offender registry and directory into a single web-based tracking system for the citizens of Indiana to use to accurately identify where sex offenders live, work, and go to school.

- Opened first prison-based methamphetamine treatment unit for female offenders at Rockville Correctional Facility and a first in a juvenile facility at North Central Juvenile. These meth treatment units are known as C.L.I.F.F. units (Clean Living is Freedom Forever).

- Department was given access to several buildings vacated at the old Madison State Hospital. Staff and offenders are working to ready them for occupation for an expanded population of adult female offenders (Capacity increase from 160 to 406).

- Prepared for the third-party contractor of GEO Group to manage the New Castle Correctional Facility (a contract which started January 1, 2006). This third-party contracting arrangement has allowed the Department to quickly double the number of offenders that are being served at this newly-built facility; which, due to budget restrictions, was never fully utilized.

- Closed the Atterbury Correctional Facility – female offenders were transferred to Madison Correctional Facility. Buildings will be transferred back to Army Corp of Engineers. The Department is working to sell the Atterbury Facility back to the military, in exchange for control of another building within Camp Atterbury, that will house offenders used as work crews to provide supportive services to the surrounding military compound. (Estimated **cost savings = $1.9 million**)

- New offender grievance system was developed and implemented. This new process is much more streamlined, makes greater use of early informal resolution of offender grievances, and includes a web-based computer tracking system accessible to all facilities.

- Department expanded its use of video conferencing equipment so that it is now in all large adult facilities away from Indianapolis. This video-conferencing technology will remove much of the need for the parole board to travel to these facilities, it allows participating courts to conduct hearings without expensive and risky offender transports to-and-from prison and the courts, allows for Department-wide meetings to be held without the need for staff to leave their facility, and provides other valuable services.

- Training at the Wabash Valley Correctional Facility has been relocated to within the walls of that facility to allow the Department to cancel a $26,400 annual lease of adjacent property.

- Department approved an aggregate $2.5 million in community correction grant funding to assist with juvenile offender transition back to LaPorte, Porter, Elkhart, and Marion Counties. This will include a new process of the juvenile courts of these counties reassuming jurisdiction and assisting with the post-incarceration supervision and treatment of juveniles transitioning from detention.

- Approved a pilot program that will call for GPS tracking devices to be installed in correctional transport vehicles. This public safety measure will allow immediate targeting of offender transport vehicles in the event they are used for offender escape, but will also insure their proper use while in the Department's service.

- Trying to make use of available offender labor, and state farmland that has stood fallow for many years, the Department is working with county jails, and food-banks across Indiana to supply agricultural products using prison labor and land.

Criminal Justice Institute

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Guided by a Board of Trustees representing all components of Indiana's criminal and juvenile justice systems, the Indiana Criminal Justice Institute serves as the state's planning agency for criminal justice, juvenile justice, traffic safety, and victim services. The Institute develops long-range strategies for the effective administration of Indiana's criminal and juvenile justice systems and administers federal and state funds to carry out these strategies.

Governor's Meth Free Initiative

- Strategic Planning efforts through the Meth Free Indiana Initiative have pulled together over thirty state agencies, non-profit organizations, and private sector businesses to create a comprehensive, multidimensional approach. Colleen Copple, consultant retained by ICJI to assist in strategic planning development, indicates that Indiana's approach is the most comprehensive she has seen in the work she has done nationally.

- Indiana Meth Repository – ICJI received a Bureau of Justice Statistics grant for the first time to conduct an evaluation on what should be included in a statewide meth data repository.

- Since the creation of the Meth Free Indiana Coalition and the announcement of the Governor's methamphetamine initiative, meth lab seizures are **down twenty-five percent** and meth arrests are **down forty-four percent** as compared to the same time period in 2004.

- Over 6,236 Meth Watch Kits and over 102,000 Meth Free Indiana brochures have been distributed statewide.

Midwest Governors Association Regional Meth Summit, December 13 – 15, 2005

- The Indiana Criminal Justice Institute (ICJI) in partnership with the Midwestern Governors Association (MGA) held the MGA Regional Meth Summit at the Westin Hotel in Downtown Indianapolis, Indiana. The final count of participants that attended the Summit was 214.

- The presence of Director Walters, White House Office of National Drug Control Policy (ONDCP), and the quality of the Summit programming earned national media attention for the Summit and our Governor's Meth Initiative. As a direct result of the Summit, Court TV has now invited the Governor to appear in their piece on meth.

- Summit revealed that Indiana is indeed among best practices for treatment in corrections with the IDOC's facilities. Commissioner Donahue provided a meth treatment unit kit on CD for all participants that included a complete template to enable other states to start a treatment unit in their departments of correction.

Customer Satisfaction Survey

- The Research Division of ICJI was tasked with creating and implementing a Customer Satisfaction Survey to measure sub-grantee attitudes and feelings towards ICJI. The Research Division created the initial survey instrument, which was then circulated throughout the divisions and executive staff for review. Once the survey was finalized the Research Division worked with the Victims Division, Youth Division, Traffic Safety Division, and Drug & Crime Control Division of ICJI to disseminate the survey to all of their respective sub-grantees or "customers" either through the mail or e-mail.

- A total of 810 surveys were sent out from ICJI and 245 were returned for a response rate of 30%.

Federal Grant Efforts

- ICJI partners with The Urban Center for Public Policy and the Environment to create for the first time baseline measures for the Drug, Youth and Victims Division grantees. This according to JRSA is the first time a SAC has undertaken this kind of data collection on performance measures and has already asked us to report back on this initiatives to share with other SACs.

- Implementation of Grant Award Agreement for all sub-grantees of ICJI. Grant Award Agreement holds sub-grantees accountable to performance measurements and timelines established by the Research Division and federal funding sources. Data collected from sub-grantees will allow the agency to effectively and efficiently provide funding opportunities to entities/programs statewide where services are needed. The Grant Agreement has been cited by OMB as a successful example of a performance tool in the interim report to the legislature.

- A new funding strategy was developed for the allocation of traffic safety funds to law enforcement agencies. The funding formula allows ICJI to target high fatality counties that have been identified as having both a seatbelt and alcohol problem, as well as continue baseline funding on a statewide basis. The new strategy will utilize a combined blanket and targeted funding approach to reduce fatalities on Indiana roads. ICJI's Traffic Division's funding strategy will be an innovative approach in addressing traffic fatalities and allow ICJI to effectuate change on a statewide basis while targeting our top priorities.

- Critical review of all federal funding streams to reduce the amount of funds de-obligated back to the federal government. Mandatory Division financial updates resulted in identifying **over $100,000** in Youth Division funds that were on the verge of being de-obligated back to the federal fundor. These funds were utilized to provide training and technical assistance to juvenile justice professionals in the field statewide. Additionally, the Indiana Criminal Justice Institute hosted the first annual "Empowerment Conference" for young women. An event that helped over one hundred young women learn more about self-esteem, seeking help from domestic violence situations, and methamphetamine awareness.

- Agency awarded the "Phillip Hoke National Publication Award" by the Juvenile Research and Statistics Association. National recognition given to the agency for work done on girls at-risk or involved in the juvenile justice system.

Economic Development Corporation

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The Indiana Economic Development Corporation (IEDC) is the chief state agency responsible for economic development. IEDC is the primary point of contact for all domestic and international businesses considering expanding or relocating in the state. Other key responsibilities of IEDC include creating the State of Indiana's strategic plan for economic development and marketing Indiana to businesses and individuals inside and outside the state.

Deal Activity

In 2005, the IEDC closed 142 competitive projects and secured total commitments (including competitive and training/ expansion projects) to create more than **18,000 new jobs** and **retain over 47,000 jobs**. While managing substantially higher deal flow than the Department of Commerce managed during 2003 and 2004, the IEDC also established a comprehensive cost benefit analysis process to ensure that that we are responsibly managing the state's economic development resources.

Development of Statewide Site and Building Database

The IEDC has developed a geographic information systems (GIS) powered site and building database on its Web site. This new innovative economic development tool makes Indiana the fourth state in the nation with a Web site that utilizes interactive GIS mapping technology for statewide site and building searches.

Project Management Practices

The IEDC has ended the practice of simply offering every company the maximum incentive award possible and now bases decisions on sound analysis designed to ensure that every incentive offer is a good investment for the state. We've replaced the "take it or leave it" approach to interacting with companies and now negotiate as professionals representing the best interests of our state.

Revitalization of International Development Efforts

For several years the state's international development efforts focused almost exclusively on export and trade show assistance for existing Indiana businesses. Additionally, the Director of International Development position had been vacant for over a year before IEDC hired its current Director in early 2005. The IEDC continues to offer export/trade show assistance, but has substantially broadened the state's international development efforts to aggressively pursue international investment in our state. As part of our renewed international focus, the IEDC worked closely with the Governor's office to successfully lead an Asian trade and investment mission that featured the largest delegation of Hoosiers in Indiana's history to participate in such a mission.

Redesign of the Twenty-First Century Research and Technology Fund

The Twenty-First Century Fund has historically focused on proposals centered on pure research and development rather than commercialization or technology transfer. The IEDC's vision for the Fund is to serve as a catalyst for economic growth as measured by the establishment of new businesses and the creation of high wage jobs. The investment strategy that best supports these objectives is to invest in technologies with the most potential for commercialization and application in the private sector. The IEDC will continue to seek opportunities for the development and commercialization of university based research and development. However, the IEDC's investment strategy will shift from the previous model that emphasized pure research to a model based on specific opportunities for the commercialization of high technology research generated from the entrepreneurial sector as well as the academic sector. Additionally, the IEDC now has a business case vetting process and places equal emphasis on the viability of proposals from both business and scientific standpoints. This will entail a greater level of financial analysis as well as the need to demonstrate specific avenues for use in the commercial market.

Coordination of Small Business Programs

IEDC has established an Office of Entrepreneurship that is responsible for managing all of the state's small business/ entrepreneurship programs, including the Small Business Development Centers, the Twenty-First Century Research and Technology Fund, and the Venture Capital Investment Tax Credit Program. Previously many of these entities were loosely affiliated with the Department of Commerce and there was no comprehensive planning of the state's efforts to support the entrepreneurial economy.

Industry Analysis and Planning

The current challenges facing many automotive firms require that states be prepared to adapt to changes in the industry. As part of our efforts to assess Indiana's dependence on the auto industry and plan for any changes that may become necessary, the IEDC has established an automotive task force and has established a relationship with the independent research firm Center for Automotive Research ("CAR") to provide our task force with valuable insight which can make a difference in winning or losing an opportunity.

Certified Technology Parks

The IEDC has made significant changes to this program designed to make this program a more effective tool in promoting the growth of high tech, high wage jobs. Whereas tech park designation was previously granted in many cases without sufficient analysis of the parks' likelihood of success. We've enacted new requirements that link tech park designation to true job creation opportunities and meaningful relationships with Indiana institutions of higher education.

Department of Environmental Management

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IDEM implements federal and state regulations to protect human health and the environment. IDEM provides permits to allow the environmentally sound operation of industrial, agricultural, commercial and government operations vital to a prosperous economy. IDEM provides compliance assistance, incentive programs and educational outreach to aid and encourage businesses and citizens in protecting and improving Indiana's environment. IDEM pursues enforcement action when a party disregards environmental regulations.

Indiana obtained official EPA redesignation from non-attainment to attainment for the ozone air quality standard for **six counties**: Greene, Dearborn, Jackson, Vanderburgh, Vigo, and Warrick. This means that Hoosiers in those counties are now breathing air that meets the health based standards for ozone and those new businesses which utilize good air pollution control can now locate in these counties.

Indiana also obtained official EPA redesignation from non-attainment to attainment for the sulfur dioxide (SO_2) air quality standard for Lake County.

Under Indiana Department of Environmental Management supervision, the US Army initiated destruction of deadly VX nerve agent that has been stored in the State since production was halted in 1969.

Permit processing timeframes and deadlines are now calculated in actual calendar days from initial application to final decision. The total IDEM permit backlog has been reduced by 4% between the initial development of this metric in March of 2005 and the end of 2005. As part of this backlog reduction, eight of 25 major water discharge permits that had been expired for more than ten years were renewed with up-to-date environmental limitations.

IDEM has greatly improved its responsiveness to new development projects including providing one-day turnaround for the review of environmental reports for Medallion Cabinet's reuse of a facility contaminated by a previous owner in Culver, IN.

IDEM has **increased from one to eight** the number of local communities with approved combined sewer overflow plans to address the problem of discharge of untreated sewage during rain events. This action will improve water quality in Indiana and has reduced the likelihood of Federal water pollution litigation against Indiana communities.

IDEM has started a number of regulatory actions to protect and improve Indiana's environment including:

- ◊ Standards for proper clean-up of facilities used in the production of methamphetamine before they can be reoccupied.
- ◊ Requiring the removal and proper management of mercury switches from scrapped automobiles to prevent the mercury from reentering the environment.
- ◊ Standards to protect the environment and encourage recycling of discarded electrical equipment.
- ◊ Rules to streamline air permit decisions for facilities with very good pollution control.

IDEM negotiated a new Environmental Performance Partnership Agreement with EPA which clearly defines numerical goals and deadlines for IDEM and EPA actions for 2005-2007.

IDEM's Confidential Technical Assistance Program provided free confidential compliance assistance responses to over 3,600 telephone inquiries and provided on-site assistance to over 950 Indiana businesses.

Realigned field staff office locations and responsibilities to reduce travel costs and improve work output.

Family and Social Services Administration

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The Family and Social Services Administration was created in 1991 by the Indiana General Assembly to better integrate the delivery of social services to Indiana's most vulnerable citizens – those with mental and/or developmental disabilities, the uninsured, the elderly and children.

FSSA administers federal programs such as Medicaid, vocational rehabilitation, food stamps, temporary assistance for needy families (TANF), Social Security and Disability Insurance (SSDI), Supplemental Security Income (SSI), First Steps, Children's Health Insurance Program (CHIP), among several others.

Medicaid (OMPP)

Discovery: When combining the costs of pharmacy dispensing fees and the pricing discount off the average wholesale price (AWP) for prescription drugs bought by Medicaid, FSSA was paying more than other states pay.

Action Taken: FSSA decided to focus efforts to increase the pricing discount off the AWP for prescription drugs from 13.5% to 16%. (Estimated **savings in SFY06 = $2,300,000**.)

Discovery: The Medicaid Medical Review Team (MMRT) had a backlog of over 13,000 claims; these claims were in 25 boxes lining the walls of Medicaid Central Office.

Action Taken: The MMRT backlog has been eliminated. The length of time necessary for reviewing cases in Central Office has been **reduced from 90+ days to 44 days**. The MMRT has also introduced an Accelerated Case Review Process aimed at reducing the processing time to 48 hours for those clients with the greatest medical need.

Discovery: With the implementation of the Medicare Part D Prescription Drug Program, the Hoosier Rx program was no longer needed to function as a direct prescription drug benefit program. Approximately half of the 2005 Hoosier Rx members qualify for a full federal subsidy.

Action Taken: The Hoosier Rx program has moved from a benefits program to a premium payer and wrap-around benefit for Medicare Part D. The revised State Pharmacy Assistance Plan will benefit 20,000 Hoosiers, increasing the eligibility limit from 135 percent of the federal poverty level (FPL) to 150 percent of the FPL.

Division of Mental Health and Addictions (DMHA)

Discovery: The Division of Mental Health and Addictions (DMHA) paid more for training and technical assistance for providers than was necessary.

Action Taken: As of December 31, DMHA is re-procuring the training and technical assistance for providers with a new contractor. (Estimated savings in SFY06 = $50,000)

Discovery: Medicaid Rehabilitation Option (MRO) payments to Hoosier Assurance Plan (HAP) providers in excess of amounts set aside by the Division of Mental Health and Addictions (DMHA) were sent to the state each year after the fiscal year in which they were incurred.

Action Taken: DMHA has changed the timing of MRO match payments so that the state receives prompt payments from HAP providers. Beginning with SFY06, payments will be made in the quarter after they are incurred. This improvement in payment collections will increase revenue to the state by $60,000 for the first half of SFY06.

Discovery: The daily rates for Madison State Hospital (MSH) did not include the expense per client of infrastructure development and maintenance. Therefore, the daily rates as reported by the State to the Federal Government were lower than the actual expense of each client.

Action Taken: FSSA adjusted the daily rates of the new Madison State Hospital (MSH) to include the $65 million in construction and other renovation costs. MSH's rate is $503 per Medicaid Patient Day; however, the rate will increase to $750. Since the daily rate of MSH is higher, FSSA can receive more federal match. Though the state expenditure for the daily rate also increases, the state is no longer using only state funds to pay for the construction. (Estimated **savings in SFY06 = $2,300,000**.)

Discovery: FSSA could receive federal funding to help develop a framework to combat the increasing prevalence of methamphetamine and substance abuse across Indiana.

Action Taken: In August, Indiana was awarded an $11.7 million Strategic Prevention Framework State Incentive Grant to help fund the proactive fight against the usage of methamphetamine and other substances over the next five years.

Division of Aging (IDA)

Discovery: FSSA has failed to assist seniors in maintaining their health and finding services that best fit their needs, often resulting in more seniors in nursing homes than is appropriate given their needs or eligibility status. Indiana has almost 50% more nursing facility beds than the national average; supply exceeds demand. This resulted in a higher bed day cost since fixed costs, such as heating bills, are not allocated across a larger group of people.

Action Taken: FSSA is more appropriately assessing the needs of seniors, looking to alternative care options instead of most often defaulting to nursing homes. A temporary (90-day) moratorium for new Medicaid certifications on nursing home beds began on 12/15/05. The Medicaid Oversight Committee also approved a nursing facility reimbursement rate containment proposal to reduce the rate of payment to nursing facilities. (Estimated savings **in SFY06 = $12,900,000**)

Discovery: Through the Indiana Aging and Disability Resource Center (ADRC) Grant, the Division of Aging (DA) could receive supplemental administrative funding to expand marketing efforts.

Action Taken: The Division of Aging submitted a request and received supplemental funding of $48,000 to enhance the website and expand marketing efforts to promote Aging and Disability Resource Centers (ADRCs). Indiana currently has two ADRCs fully operational and will have an additional two operational by June 2006. These centers help seniors and people with disabilities to have increased access to services, as well as raising public awareness about the need to take responsibility for one's own health.

Discovery: Services for seniors and people with disabilities were combined into a single division, the Division of Disabilities, Aging, and Rehabilitative Services (DDARS), within FSSA, even though these two populations are drastically different.

Action Taken: FSSA has functionally separated the Division of Aging from the Division of Disabilities and Rehabilitative Services (DDRS). The Director of Aging reports to the Secretary and Chief of Staff of FSSA, not the Director of DDRS. Legislation legally separating these two entities was introduced in the 2006 session.

Division of Disabilities and Rehabilitative Services (DDRS)

Discovery: Individual reviews of residents of the Fort Wayne State Developmental Center (FWSDC) indicated that the institutional setting were not appropriate for most residents.

Action Taken: In October, FSSA announced the closure of the FWSDC by July 1, 2007. Home and community-based services are a growing preference in the disability community, allowing clients to be served more effectively and cost-efficiently in the community. The cost of serving FWSDC residents is over $900 day, whereas community-based treatment for these people will average between $300 and $400 per day. Additionally, all FWSDC employees who applied with Liberty Healthcare, the company operating FWSDC, were offered positions and transferred to Liberty on January 1, 2006. (Employees had to meet three requirements: pass a drug test, pass a criminal history check, and no work-related record of abuse to clients or other serious negligence.) As the facility prepares to close, the State will have employment fairs and other outreach opportunities to help connect FWSDC with positions in FSSA, other state agencies or the private sector. The effort to transfer most clients to out of the institutional setting should result in multi-million dollar savings annually that will be re-invested into the disability community, bringing more people into community-based services.

Discovery: The billing, documentation, and reporting for services provided on the developmental disabilities, support services, and autism waivers was administratively burdensome, and the process was strangled with red tape. Additionally, over 26,000 people are on waiting lists for these three waiver programs; some people have waited for many years.

Action Taken: FSSA implemented annual plans for recipients of the developmental disabilities, support services, and autism waivers, which serve over 9,000 people. FSSA implemented annual plans on November 1, 2005. Annual plans allow for simplified billing, documentation, reporting, and revised service definitions, allowing the provider flexibility to best serve the client's needs and helping the client to meet his/her goals. Savings from the annual plans will be allocated to serving more Hoosiers from the waiting lists. (Estimated **savings in SFY06 = $5,500,000**)

Discovery: Many people with disabilities in the community lived by themselves in apartments and did not share staffing with other clients. This resulted in very high cost clients and prevented other people from receiving services.

Action Taken: FSSA's outreach efforts to providers encouraged providers to examine situations where people with disabilities living in the community could share resources. This includes clients living with roommates, when appropriate and available, and shared staffing opportunities.

Discovery: Bosma Rehabilitation Center provided services to teach people to adapt to blindness, but were decades out of date.

Action Taken: FSSA negotiated a contract with Bosma Industries to provide up-to-date and expanded services without paying more. The Center is able to provide more services without an increase in spending because the facility is managing time and space more efficiently. For example, an employee will teach two or three clients at a time, instead of only one. Interactions between clients can increase the quality of services, providing opportunities for peer interaction and learning. Efficient use of time and space also grants opportunities for expanded services, such as GED classes taught by a GED-certified teacher. Additionally, FSSA was able to identify a limited funding source that provides a higher federal match rate for services provided by community-based contractors, rather than similar services provided by state employees. (Estimated **cost savings = $100,000**)

Discovery: Three sections within the Division of Disabilities and Rehabilitative Services (DDRS) – Vocational Rehabilitation, Blind Services, and Deaf Services – were fragmented, resulting in uncoordinated services. For example, due to "budgetary shortfalls," the Blind Services staff had previously prevented Itinerant Rehabilitation Teachers for newly blinded Hoosiers from traveling. Yet, travel is central to their business, as they teach newly blinded people adaptive skills in their communities.

Action Taken: FSSA created the Bureau of Rehabilitation Services, bringing these three sections under one umbrella to enhance the coordination of services. In the example above, travel for Itinerant Rehabilitation Teachers is now paid for using Vocational Rehabilitation funds.

Division of Family Resources (DFR)

Discovery: Increasing energy prices place a larger burden on low-income Hoosiers. The Low Income Home Energy Assistance Program (LIHEAP) offered assistance to people up to 125% of the Federal Poverty Level (FPL).

Action Taken: FSSA is utilizing $10 million of the FFY 2006 Temporary Aid for Needy Families (TANF) to extend emergency assistance to low-income individuals up to 150% of the FPL. There are 95,000 Hoosiers between 125 and 150% of the FPL.

Administration

Discovery: Employees throughout the state feel detached from Central Office and do not understand the FSSA's vision, mission and goals.

Action Taken: Since December 28, a bi-weekly newsletter is sent to all FSSA employees via email. For those employees that do not have email access, the newsletter is posted in their places of work. The newsletter will include information about FSSA's transformational initiatives, policy changes, and other issues affecting our employees. A similar newsletter will be emailed to contractors on a quarterly basis.

Discovery: Millions of dollars of accounts receivable from nursing homes have not been collected by the State, and Division of Family Resources (DFR) local offices are not using established processes.

Action Taken: While nursing homes accounted for the majority of the aged accounts receivable (AR) (approximately 73%), FSSA established a process in June to refer uncollectible accounts to the Attorney General's office for final disposition - lawsuit action when appropriate or write off due to non-collection. The beginning AR balance was $8.3 million, and we have been able to collect $1.3 million and write off $1.5 million, which precludes the need to return the federal share associated with providers that have gone out of business. We have a net balance of $5.5 million, pending lawsuits and researching other ARs.

Discovery: FSSA has been wrought with scandal and fraud from employees, contractors, and clients, though it's a small minority of people that actually commit the crimes. FSSA fraud investigators were not highly valued and only sent into controlled settings. Employee fraud referrals were limited and often disregarded.

Action Taken: The new administration is dedicated to investigating fraud and ensuring that the FSSA budget is spent on Hoosiers in need. FSSA's fraud investigators are highly respected and valued as an essential component to internal controls. Additionally, more employees are reporting fraud, since they know that their leads will be seriously investigated. Examples of 2005 successes are listed below.

- FSSA Internal Investigations examined a case in which caseworkers Geraldine Harper and Mary Miracle allegedly stole approximately $321,000 from the State. Harper and Miracle had invented over 20 fictitious public assistance cases and then brought in an outside party to spend electronic benefits for TANF and Food Stamps. FSSA terminated these individuals, is pursuing restitution, and has withheld their PERF money. Additionally, other people, such as their manager, have resigned from their positions. More employees have come forward with other similar cases to investigate.

- FSSA Internal Investigations followed up on allegations that employees at Madison State Hospital (MSH) possessed illegal substances at work. A surprise raid resulted in four arrests, five terminations, and evidence of guns, marijuana, and other controlled substances on the actual persons or in their cars.

- The new administration made investigating non-Medicaid provider fraud a priority. Currently, FSSA Bureau of Investigations is prosecuting 15 IMPACT vendors in Marion and Lake counties alone for failing to provide contracted work development services for unemployed Hoosiers. Restitution and penalties on these cases may result in millions of recovered FSSA funds.

Finance Authority

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IFA is the financing arm of State government, managing $3 billion of State-backed debt used to build State prisons, hospitals, office buildings, roads, and park lodges. IFA also coordinates debt issuance for low-income housing programs and makes loans to local governments for wastewater and drinking water projects through the EPA funded State Revolving Fund. IFA administers the State's federal volume cap (tax-exempt debt) allocation and state economic growth programs including Brownfields, Shovel-Ready Sites and Broadband Access programs.

At the start of the Daniels administration, there were 13 separate State agencies with the authority to borrow and interface with the financial markets. Several of these agencies were consolidated into the IFA so that today, the number of bonding agencies has been reduced to 2 (our partners at the Indiana Bond Bank being the other).

The Broadband Finance program seeks to improve Indiana's primary broadband network and encourage private sector businesses to provide service to currently unserved parts of our State. Such advanced telecommunications infrastructure is critical for economic development and the quest to create new jobs and raise income levels for all Hoosiers. The IFA completed its first Broadband Finance deal in December lighting 42 previously dark fibers which will help broadband connectivity in North-central Indiana. Also in 2005, the IFA made an important commitment to the Indiana Seed Fund through its investment in a start-up Indiana medical device company. In all, the Business Finance Programs **created 936 new jobs** for Hoosiers in 2005, a 33% increase over calendar 2004.

In the area of Environmental Finance, 2005 has been full of change to the IFA's Brownfields and State Revolving Fund programs which provide financial assistance to Indiana companies and local units of government for the clean-up of various brownfields sites and contaminated drinking water and waste water systems. In an effort to promote better service and greater efficiency, staff members of the former Indiana Development Finance Authority, the Indiana Department of Environmental Management and the State Budget Agency assigned to environmental programs were consolidated in 2005 moving from three separate organizations into one cohesive Environmental Finance team.

With respect to the Brownfields Program, because local communities rely heavily on the coordinated efforts of both federal and state entities, one of the primary goals for the Environmental Finance group has been the restoration of U.S. Environmental Protection Agency (the "EPA") confidence in the State. To date, feedback from the EPA has been very positive. In fact, in November the first grant request for an EPA revolving fund loan grant was submitted to the EPA on behalf of the Brownfields Program. Also in 2005, as part of the Brownfields Program, the IFA leveraged an estimated $37 million in investment that will create nearly 400 new jobs as twenty-three Site Assessment Grants totaling $503,516 were awarded, six Petroleum Remediation Grants totaling $486,422 were awarded and two Low-Interest Loans totaling $1,750,000 were closed. In addition, as related to the State Revolving Fund program, in 2005, a combined twenty-five drinking water and waste water loans totaling $203 million were closed which amounted to $37 million in cost savings to local communities.

Some of our most significant milestones in 2005 have been reached under the IFA's State Finance umbrella. The IFA has sought to rebuild relationships with bond rating agencies Standard & Poor's, Moody's, and Fitch which in 2004 had lowered the State's credit quality, thereby increasing State borrowing costs. After much communication, in June Standard & Poor's upgraded the outlook on Indiana's credit rating **from stable to positive** citing the first balanced budget in ten years that was prepared by the Governor and OMB Director Schalliol and adopted by the General Assembly.

In the fall of 2005, after much negotiation, the IFA implemented its plan of finance for the new Indiana Stadium and Convention Center projects. These are historic transactions not only in terms of State economic development efforts, but for the IFA itself. As the financing arm of the State, the IFA, in connection with these projects, executed the first interest rate swaps in State history. In doing so, the IFA locked in interest rates on the Stadium and Convention Center expansion that will allow the State to build these projects using just $40 million of new local taxes, nearly half of the $70 million that was initially estimated, saving Hoosier taxpayers hundreds of millions of dollars over the 30-year term.

Gaming Commission

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The mission of the Indiana Gaming Commission is to license and regulate riverboat gambling in Indiana and ensure the compliance with applicable statutes, rules and regulations in a manner that promotes the integrity of gaming, and the best interest of the State of Indiana and its citizens.

Discovery: The Gaming Commission had never conducted a disparity study, as required by statute, that would allow it to establish utilization goals for certified minority and women-owned businesses.

Action Taken: The Gaming Commission contracted with the Center for Urban Policy to conduct a disparity study and began an audit of riverboat expenditures for the years 2003, 2004 and 2005. A distinguished advisory group was invited to provide guidance in research objectives and methodology. Utilization goals based upon the results of the disparity study will be effective in 2007.

Discovery: While statute requires supplier licensees to be reinvestigated every three years, the Gaming Commission had never conducted any reinvestigations of suppliers, some of whom were last investigated in the mid-90s.

Action Taken: The new Division of Gaming Agents has developed a comprehensive plan for addressing the backlog of supplier investigations while, at the same time, eliminating the backlog of pending occupational license applications.

Discovery: The Gaming Commission did not have strong ties within the law enforcement community that would enhance its effectiveness in pursuing the prosecution of gaming crimes.

Action Taken: The Gaming Commission invited the prosecutor from each riverboat community to meet with the Administrative and Gaming Agent executive staff. Prosecutors were offered the opportunity to attend a four-day course on casino games that will assist them in their prosecutions. We also met with the U.S. Attorney for the Northern District to cultivate our relationships with the federal government. It is believed that a strong partnership between the Division of Gaming Agents and the law enforcement community authorities will enhance the integrity of gaming in Indiana.

Other Accomplishments:

- The Gaming Commission began to develop marine and life safety standards in preparation for a new vessel proposed by Argosy Casino in Lawrenceburg. This is now the Gaming Commission's responsibility due to the decision of the United States Coast Guard not to inspect and certificate new gaming vessels.
- Pursuant to a directive of the Legislative Council, the Gaming Commission contracted with Policy Analytics, LLC to create a report on the impacts of gaming in Indiana. The report, entitled "A Benefit-Cost Analysis of Indiana's Riverboat Casinos for FY 2005," is available on the Gaming Commission website at www.in.gov/gaming.
- The Internet Task Force consisting of fourteen states, Canada, the Department of Justice and the Internal Revenue Service has been formed to create a united approach to the ever expanding world of Internet gambling. Its organizational meeting was held in December in Indianapolis with the Gaming Commission serving as host.
- Our Background and Financial Investigation Section was hired, trained and reported to duty on October 25. Thus far, their work product equals twenty-five level one background investigations. The hourly billing rate was also adjusted from $40 to $55 to reflect the actual costs incurred by the state for their services.

Government Efficiency & Financial Planning

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Governor Daniels created the Department of Government Efficiency and Financial Planning (GEFP) in January when he established the Office of Management and Budget by Executive Order in January 2005. GEFP's mission is to identify opportunities to reform State government and save Hoosiers' tax dollars through cost savings and improved service. GEFP's objectives include:

- Make State government more accountable to Hoosier taxpayers through transparent performance measurement.
- Help State agencies and quasi-governmental agencies provide best-in-class performance for services they *should* provide, and help State agencies cease those activities that are duplicative or wasteful.

Action Taken on Previously Reported Discoveries:

Program Reviews

The Government Efficiency and Financial Planning (GEFP) group began its review of state agency programs. While the 2005 budget bill requested the Office of Management and Budget to review the budget and functions of each executive branch agency, GEFP decided the more useful plan required the level of examination to be the program for which agencies are responsible. Programs that have not been independently scrutinized in years are being examined for continued program relevance, effectiveness and results. The workplan, called PROBE (Program Results: an Outcome Based Evaluation), will continue through December 2006. Early themes from the work completed thus far include the following:

- Except for the performance measures initiated by Governor Daniels last year, there is dearth of program measurement and data preventing any performance assessment or progress reporting
- "Siloed" program and activity management that has fostered overlap and duplication and obstructed cross agency cooperation
- Lack of inquiry into continued program relevance
- Lack of financial and management oversight

An interim report was delivered to the General Assembly in early January and can be found on the Budget Agency website. Examples of each theme noted above are included in the interim report.

*One*Indiana

The strategic sourcing project sponsored by Governor Daniels and coordinated with the Department of Administration, kicked-off in August 2005. The diagnostic phase to gather the data on how much is spent, on what goods and services, with which vendors and service providers, has been completed. Work has begun to improve our pricing on over a dozen categories. Estimated annual savings on the first five categories nearing completion of negotiation are **more than $10 million**. A total of 36 expenditure categories are included in the scope of this project to "wring out" savings.

Agency Performance Measures

GEFP continues to work with agencies in the development of performance measures. Due to the lack of previous measurement, re-establishment of performance targets is common. Some targets have increased due to the ease in achievement from the fact that measurement is occurring. Other targets have decreased due to optimism and poor target setting because of the lack of baseline data. Continuing evolution of this effort must continue. Through PROBE, GEFP will work to establish measures with the remaining executive branch agencies.

State Department of Health

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The mission of the Indiana State Department of Health (ISDH) is to promote, protect, and provide for the public health of the people in Indiana. The ISDH:

- monitors disease incidence, hospital discharge, births and deaths, and other health-related data,
- supports local and state health-related programs through grants and technical support,
- oversees state and local bioterrorism preparedness, and
- operates three special institutions.

Health Information

- Under the direction of Governor Daniels' Executive Order 5-10, the Department instituted the mandatory medical errors reporting on-line system that requires hospitals and ambulatory surgery centers to report any of 27 serious adverse events that occur in their facilities.

- ISDH's Division of Acute Care created and released in October, 2005 its Web-based ambulatory surgery center consumer report. This provides consumers with general and survey history information on each every ambulatory surgery to increase information available to consumers about their health care choices.

- ISDH won a first-ever Robert Wood Johnson grant of $100,000 for the development of public health informatics systems.

- The Division of Long Term Care trained over **2,500 health care workers** in Alzheimer's and dementia care in order to improve health care in long term care facilities.

INShape Indiana

- ISDH on the Governor's behalf launched the Governor's **INShape Indiana** challenge in July, 2005. By year end, 8,938 participants registered.

- Over 15,000 Hoosiers visited Governor Daniels' Sports Spot at the Indiana State Fair and INShape Indiana Department of Natural Resources Day, both sponsored by the Governor's Council on Physical Fitness and Sports.

- The Department's INShape Indiana Obesity Prevention Summit attracted over 400 participants from all over the state and from many sectors for a day-long call to action. Dr. Monroe conducted three regional follow-up meetings by year-end.

- ISDH's Human Resources Department invited all state agencies to participate in a State Wellness Council, and 38 agencies have learned ways to improve employee wellness from the programs and templates that ISDH has developed.

- A record-high 23,000 participants signed up for the Governor's Fitness Award program (up from 16,000 in the 2004-2005 school year).

Preparedness

- Hurricanes Katrina and Rita Response - ISDH arranged for 79 health and medical workers over three two-week deployments to provide medical care in Biloxi, Mississippi. These medical workers provided services to over 10,000 residents and first responders.

- Pandemic Influenza - The Department prepared the ISDH Pandemic Influenza Plan to guide preparations by the medical community and local health departments and to lay the groundwork for other sectors' planning.

Regulatory Review

- The value-added foods task force of Indiana producers and regulators was convened to consider policies regarding regulation of value-added food such as Indiana-produced maple syrup, freezer meat, and honey. The task force's efforts are guiding the regulatory enforcement guidance that the Department prepares.

- The Onsite Wastewater Strategy Task Force, involving a broad representation of interested persons, developed strategic objectives for ISDH to consider in its residential onsite sewage system regulation. The Task Force's recommendations will be implemented in 2006.

Customer Service Enhancements

- A new Web site permits construction project engineers and facilities to track the progress of their commercial on-site sewage treatment plan review projects beginning in the fall, 2005. This includes the current status of the plan review request and the staff member assigned to the request to facilitate communication between the construction project manager and the plan review staff.

- A backlog of health care institutional plan reviews from 2004 was eliminated. All complete plan submittals have been reviewed and through improved tracking, prioritization, and organization the number of pending institutional plan review requests had been **reduced from over 100 to 55**. This was achieved in spite of a significant increase in the number of institutional plan review requests submitted in 2005.

Cost Savings

- The immunizations program realized **savings of $217,324** by converting 16 contract positions to staff positions, eliminating two positions, and eliminating an outside contractor management fee.

Department of Homeland Security

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The Indiana Department of Homeland Security is responsible for the development of a single homeland security strategic plan for the state; serves as the single emergency operations coordinator; coordinates public safety training; provides assistance to local fire departments; inspects public facilities for fire and building safety; and, oversees the application and disbursement of federal homeland security funds.

Cost Efficiencies (**Cost Savings of $119,730**)

- Recently purchased 5 hybrid Escape SUV's and expect to see cost savings in fuel
- No longer mail daily receipts to those who make payments to IDHS
- Field staff has gone to a four day travel, one day home office schedule saving in fuel costs
- We will be utilizing surplus computer equipment instead of purchasing new
- Reduce number of general field staff meetings in Indianapolis from six to four per year
- Implemented monthly conference calls with EMA Directors

Personnel Efficiencies (**Cost Savings of $122,362**)

- Reduced one field supervisor and two clerical positions
- Moved a current staff person to a District Coordinator position saving in overtime
- Field staff communicates with supervisors by cell phones and no longer use land lines that create large phone bills
- Cross-training of Building Inspectors and Fire Inspectors into a Code Field Enforcement Section

Response Innovations

- The deployment of the Operation Hoosier Relief Task Force to Mississippi, as well as local agency deployments to Louisiana, in response to Hurricane Katrina provided an opportunity to bring back approximately $9 million in reimbursements to the State and local agencies involved, as well as a number of private organizations. Although almost all of the agencies and organizations involved were generally prepared to bear the costs involved in the deployments, the Indiana Department of Homeland Security (IDHS) worked diligently through the Emergency Management Assistance Compact (a compact comprised of all 50 states) to secure approval of the deployments through the respective states which in turn allowed these Indiana participants to secure reimbursement, through IDHS, of 100% of the costs incurred. Reimbursements will be provided by each respective state and that state will, in turn, receive reimbursement back from the Federal Emergency Management Agency. Obviously, this return of funds would not have been possible without this deployment and the efforts of IDHS.

  Additionally, the deployments provided a true on-the-job training opportunity that rarely exists. This invaluable training will help to better prepare our state's response capabilities to a catastrophic disaster, should one occur in this state, as well as the other types of disasters that we have on a regular basis.

- Continue the implementation of electronic submission of building plans and projects. This process will reduce the cost for not only DHS but also for local construction officials. The filing fee incentive for electronic submission has the potential for increasing the income from building plan submission; at the same time reducing the cost and time associated with plan review and release. The process also allows the agency to share project and building plan within section of the agency; for example, elevators, fire inspections and local building officials.

- The use of a new system for processing Fire Code Compliance Orders and Correction notices sent to facilities in non-compliance of the provisions of the Fire and Building Safety Commission will be fully implemented within the next two months. This process will use the technologies available to us within our existing database at no added expense.

Hoosier Lottery

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The mission of the Hoosier Lottery is to make sure that its games are fair and fun and that the State receives as much revenue as is possible.

The Lottery achieved an overall reduction in general and administrative expenses, even while revenues increased. Examples of the cost savings include:

1) Annual Savings from the closing of Region 5 (Muncie) office = $200,000.

2) Annual savings from transfer of General Counsel position to the Attorney General's office = $50,000.

3) Annual savings from not replacing the Community Affairs Coordinator position = $60,000.

4) Cancellation of Hoosier Millionaire Show **saved approximately $700,000** in show related expenses.

Other Accomplishments:

Retailer License Review

In order to help reduce the amount of bad debt write-off from retailers, a form was devised to properly assess the viability of a new retailer. The form requires the account rep, or LSR, to determine if a retailer has the potential to be successful based on: previous retailers in the existing location; the impact of other retailers in close proximity; store appearance; size of town, etc. (Unbeknownst to the current director at the time of implementation, this evaluation is required by statute, but was never implemented by previous directors.)

Retailer Contract

Revised to require photo ID to insure the identity of the retailer and relative information about other businesses owned by applicant to determine credit worthiness. Both greatly assist the Lottery in eliminating unrecoverable debt.

Promotional Tickets

The previous administration gave out thousands of promotional (free) tickets every year. Not only wasn't there a thorough accounting of where the tickets went, it wasn't always clear as to which employee requested them.

Technology Upgrades (Expenses)

Unfortunately, the Lottery has been forced to make many capital improvements because almost none had been made since the inception of the Lottery in 1989. This includes a new telephone system for the headquarters, regional offices and distribution center; a new mainframe system (AS400); security system, and a new general ledger and budget package.

Office of the Inspector General

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The Office of Inspector General (OIG) was newly created by Governor Daniels' Executive Order on January 10, 2005. Subsequently confirmed by action of the General Assembly the OIG has three main missions:

(1) investigating allegations of misconduct, fraud, waste, or inefficiency in state government;
(2) promulgating changes to Indiana's ethics code; and
(3) representing the state in administrative actions before the Ethics Commission against employees, appointees, or contractors who violate the state's ethics laws.

The Office of Inspector General has produced the following year-end results:

- 31 individuals submitted to Prosecutors for criminal charges.
- 4 additional formal ethics complaints filed with the Indiana Ethics Commission.
- 15 additional cases resolved through written efficiency reports, with specific recommendations in each to prevent future fraud.
- The creation of a forum where **ten times as many complaints** are being processed (59 with the Ethics Commission in 2004 vs. 605 in 2005 with the OIG).
- Investigations or interviews in over 23 Indiana counties.
- A new Code of Ethics which for the first time in Indiana history combines all ethics rules within a single citation at 42 IAC 1.
- The capture of over **$4 million**, exceeding three-fold the OIG budget.
- The investigation of an additional $350,000 in fraud activity.
- An inaugural Public Integrity Summit in December which has launched a new alliance with state agency investigators and auditors.

Department of Insurance

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The Department of Insurance (DOI) enforces statutes and regulations applicable to the operation of approximately 1,780 insurance companies, the issuance of insurance policies, the handling of complaints, and the dissemination of public insurance information. The Department of Insurance collects the state-required premium taxes and fees paid by insurance companies. The department licenses over 113,000 resident and nonresident insurance agents and administers laws governing the licensing and regulation of third-party insurance administrators, health maintenance organizations, insurance holding companies, reciprocal, preferred provider organizations, and various other entities.

Discovery: Over the past few years, the Indiana Department of Insurance has had the perception that there is a contradiction between being "pro-consumer" and "pro-insurance industry" at the same time. Our new philosophy is that it is possible to strike a balance between these two stakeholder groups.

Action Taken: The combined assisted recoveries and restitution for consumers in 2005 almost **doubled to $9,701,147**. For the same period in 2004 it was $5,085,670. Company fines went up from $405,431 in 2004 to $675,875 in 2005 and producer (agent) fines went up from $56,519 in 2004 to $171,568 in 2005.

Discovery: The delay in getting new products approved by the Department of Insurance was the number one concern cited by the industry as an impediment to job growth. This also created a delay in getting new and innovative products to consumers.

Action Taken: The backlog of Property Casualty and Life & Annuity policy filings, which was up to six months at the beginning of 2005, has been eliminated and all of these policy filings now have a **30 day or less turnaround**. The backlog of Accident and Health policy filings, which was up to 18 months at the beginning of 2005, has been reduced to less than six months. The entire backlog should be eliminated by the end of the first quarter of 2006.

Discovery: Consumers and members of the industry who wanted to view insurance forms and rates filed with the IDOI had to physically come to the Department with a pocket full of dimes and quarters and make copies one page at a time. The Department had to assign an employee full time to search and retrieve the desired filing for the inquirer. This cumbersome process was the source of many complaints from both consumers and members of the industry.

Action Taken: The Department negotiated with a private vendor to have them scan rate and form filings for placement on the Internet. Beginning January 1, 2006, all forms and rates going forward will be available to the public via the Internet for a small fee. For those who don't have access to the Internet, the old system will still be available to them. IDOI should experience a dramatic reduction in the number of on-site examinations of forms and in the process, lower the servicing man hours required to provide this information to inquirers. In addition, the IDOI now has free internal Internet access to filings and unlimited permanent archiving of all future filings again with free, easy, on-line access to these archived records.

Other Accomplishments:

- The Indiana Department received its Financial Regulation Standards and Accreditation Certification at a ceremony in front of all the other state insurance commissioners at the National Association of Insurance Commissioners quarterly meeting this past December in Chicago. This accreditation, which occurs once every five years, is viewed with great importance within the insurance industry and is vital to all of the companies domesticated in Indiana. We had a team of outside auditors come to the Department and do a very thorough examination of our ability to examine Indiana companies to help insure proper solvency. The new Chief Examiner fixed a number of problems the outside auditors discovered had occurred during the past 5 years and lead the Department through the accreditation process. Without proper accreditation, all Indiana companies could be subject to costly financial examinations by other states.

- For the first time in years, Department personnel participated--on location--in the disaster recovery efforts coordinated by the Indiana Department of Homeland Security (IDHS). After the devastation by the tornados in Southwest Indiana, Department personnel partnered with the IDHS at the disaster recovery center to assist victims with immediate questions, help them understand their rights, and to advocate on their behalf to their respective insurance companies. Because many of these insurance issues were longer term, we continued to have a positive working relationship with many of those impacted and revisited the area on numerous occasions.

Department of Labor

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Working to make Indiana businesses clean and safe and wages fair and competitive is the mission of the Indiana Department of Labor (DOL). The DOL team is dedicated to making Indiana the safest state in the nation in which to work. This is accomplished through efforts in Indiana Occupation Safety and Health Administration (IOSHA), Child Labor, Wage and Hour and the Bureau of Mines.

The Department of Labor made significant program improvements and gains in efficiencies in 2005. With strategic evaluation and planning, we have reorganized the Agency and established five distinct divisions, each managed by a Deputy Commissioner: IOSHA and Legal Affairs; Operations; Quality, Metrics and Statistics; INSafe; and Bureau of Mines.

Beginning with the third quarter of calendar year 2005, the Agency began publishing a quarterly report. The report contains all of the Agency's metrics and statistical information and acts as a "score card" of how the Agency is doing against the metrics we have established. Consistent with our business approach to governing, the Agency also began reporting on the Agency's finances by publishing a detailed department specific financial report. Both quarterly reports are designed to make the Agency's work transparent to the taxpayers we serve. This information can be found on our website at: www.in.gov/labor.

With the introduction of targeted enforcement and an increased focus on consultation, the Agency is making a significant impact on the safety and health of Indiana workers. We continue to raise awareness about injuries and fatalities that result from falls at construction sites by using a data based approach to identifying industries, professions and work practices for emphasis programs.

Penalty collection has been a major area of improvement for the Agency. At the beginning of 2005, the Agency had a backlog of over 800 cases, totaling more than $7 million of outstanding penalties for safety violations, dating as far back as 1988. By the end of 2005, 62% of these cases had come to final resolution. The Board of Safety review worked through a staggering backlog of some 300 cases representing some $4 million dollars of these outstanding fines and penalties. By the end of 2005 the combined efforts of the Board of Safety Review, our partners at the State Attorney General's office, our outside collection agency and the Agency's own efforts **netted the State $425,000**.

We made big strides with business in 2005 by expanding our safety enforcement and safety training partnerships with Indiana businesses and business organizations. Safety enforcement partnerships consist of collaborative efforts in which participants agree on specific responsibilities, identify strategies, and establish goals and performance measurers to verify results. With agreements in place, the Agency can leverage its resources to reach a greater number of employers and employees throughout the State.

In addition, in order to provide the highest quality training to employers and employees, we have entered into several Safety Training Partnerships. These partnerships are designed to dramatically increase the availability and quality of safety training around the State.

In order to meet the safety needs of a growing Hispanic/Latino population, we have added two bilingual consultants to our INSafe team. Together, they will not only serve as safety subject matter experts but will also help us to address the issues Hispanic/Latino workers face in today's workplace.

The Agency, Vincennes University, the Indiana Coal Council and the mining industry have entered into an exciting new partnership to insure the best miner training is available to miners in Indiana. This partnership has resulted in the new, comprehensive mining technology program at Vincennes University in Vincennes, Indiana; in the heart of Indiana's mining country. This new program is designed to get ahead of the projected need for some 3,000 miners in Indiana over the next five years and to provide Indiana's miners with the opportunity to obtain an Associates Degree in their chosen profession. 2005 also marked a year of zero fatalities in Indiana mining and one of the safest years for mining in Indiana history.

We have made significant and substantial improvements to the Agency's financial management and accounting practices. We have put in place a new, highly qualified financial team. The Agency now has an operational budget, and division leaders manage their programs to budget and Federal grant requirements. The Agency resolved a Federal OIG Audit that was opened in 2004, has reconciled past grant years, going as far back as 2002 and has paid the State back money owed by the Federal government by drawing down Federal funds for reimbursement to the State's General Fund.

Department of Local Government Finance

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DLGF provides guidance, training and oversight for local units who administer the property tax system, which includes promulgating rules for the proper assessment of real and personal property and overseeing political subdivisions actions through the certification of local budgets, tax rates and tax levies.

Accomplishments:

- DLGF school construction guidance reduced principal and interest costs to local property taxpayers by **$86 million**.
- Developed an audit program for personal property and exemptions.
- Concluded appeal hearings in Lake County dating back to the 2002 reassessment of property.
- Brought 91 counties back into compliance with 2004 pay 2005 property tax bills. (The only outstanding county is Brown County.)

Indiana National Guard

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The mission of the Indiana National Guard is to provide fully capable individuals and units ready to serve our community, state and nation. The state mission of the Indiana National Guard is to provide trained and disciplined forces for domestic emergencies or as otherwise required by state laws.

The Indiana National Guard has made significant contributions to the defense of the United States both at home and abroad during the past six months. At home, the Guard provided support to the Great State of Mississippi during Hurricane Katrina in September 2005. Indiana sent approximately **2,500 Army and Air National Guardsman** including our 38th Division Headquarters which become the Command and Control cell for the over 10,000 Guardsman deployed to Mississippi. Additionally, 70 soldiers were sent with the Governor's Task Force Hoosier to provide logistical support to our Indiana contingency. We responded with 37 soldiers when a tornado ripped through Vanderburgh County near Evansville in November 2005. Overseas, the Indiana National Guard continues to perform a critical role in establishing fledgling democracies in Iraq and Afghanistan. Since 9/11, the Indiana Army and Air National Guard has mobilized 11,733 soldiers and airmen in support of the Global War on Terrorism which includes 1,614 currently serving their country around the world.

The Base Realignment and Closure (BRAC) process has been finalized and is now law. The biggest changes are within the Air National Guard with the 122nd Fighter Wing in Fort Wayne receiving three additional F-16 aircraft and a manpower increase of 25-40 full time and 50-150 drilling positions. The 181st Fighter Wing in Terre Haute will be losing their aircraft but the force structure will be given a new mission as an Air Operations Group, Distributed Common Ground Station and Air Support Operations Squadron. Our leadership is in continued talks with the National Guard Bureau to determine the actual number of positions that will increase at Terre Haute.

Indiana's recruiting efforts continue to provide a solid base for new and changing missions with the Air Guard remaining over 100% and the Army Guard obtaining 11,369 soldiers for 93.75%. The Army side continues to **lead the Nation** in net gain growth this year with a plus 345 soldiers. We have started our transformation plans to become a modular force which includes the lowering of our force structure allocation to 11,200 by FY08 while diversifying our structure types to better meet the needs of our State and Nation.

The Indiana National Guard continues with the development of Muscatatuck into an urban training center after assuming control on July 1, 2005. Our progress is on track to become initial operation capable by September 2006 and fully operation capable by October 2008.

Camp Atterbury continues its mission as a major mobilization and training site preparing U.S. Army forces for deployment to areas of conflict located around the world. Currently Camp Atterbury is scheduled for 12,421 soldiers to mobilize or demobilize between now and August 31, 2006. This will raise the number of soldiers processed through Camp Atterbury to over 40,000 soldiers which have mobilized and/or demobilized through this great facility. The federal payroll for personnel at Camp Atterbury this fiscal year (October 1, 2005 thru December 31, 2005) has been $9,153,913. The total economic impact of Camp Atterbury and its mobilization operation during this same period has been $15,021,810 with **$12,508,947 directly impacting Indiana**.

As part of an ongoing effort to strengthen its ability to provide good stewardship of public resources, the Indiana National Guard in conjunction with our Strategic Plan have developed a balanced scorecard that includes 134 performance measurements. These performance measures will be used to link performance with our plan while simultaneously identifying and achieving cost efficiencies. The Staff is working with National Guard Bureau and Department of The Army to place our Strategic Measurement System on CORVU Software as the test State for the National Guard. Our Joint Force Headquarters is developing a submission for the Army Communities of Excellence Award again this year which is due in August. This award is based on The Army's Performance Indicator Criteria. Our first submission last year received Honorable Mention in the National Guard category.

Department of Natural Resources

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The Indiana Department of Natural Resources is responsible for the natural and cultural resources of the State of Indiana. This responsibility includes the operation and maintenance of state parks, fish & wildlife areas, state forests and reservoirs. The DNR has regulatory authority over water usage, floodway activities, oil and gas exploration, and coal mining. The DNR is charged with the protection of the wildlife of the State and with combating invasive species.

Accomplishments:

- One of the most significant accomplishments of this past year was the acquisition of the 8,000-acre Goose Pond property near Linton. This natural wetland has been a target of the DNR and numerous sporting and conservation organizations since before the Korean War. Under Governor Daniels' leadership, we were able to secure the federal and private-partnership financial support required for the acquisition. This is the single largest land acquisition in the history of the DNR and is a real feather in the cap of the numerous DNR employees, partners, sportsmen and conservationists across the state who contributed to the success of this project.

- From the top down our state park properties are now taking a proactive approach to increase park visitation. 2005 gave our property managers the opportunity to use their local knowledge to focus on accomplishing this mission. Success came in the order of over 10,300 interpretive programs for 335,000 visitors, a 30% increase from 2004.

- Released the first Forestry Division wide strategic plan. Timber management revenue is estimated to increase $2-3 million over the next two years with the economic impact to the state estimated at **$20 million to $30 million annually**. 100% of this increase will be placed directly into forestry management projects. Monies will be used to create research/ demonstration forests areas to improve education on forestry management, acquire more tracts of land as state forests and give assistance to private landholders wishing to properly manage their land.

- Division of Historic Preservation & Archaeology reviewed over 3,700 regulatory project submissions, significantly reducing the number of projects overdue (in-house more than 30 days) from 45% to 4% on Federal projects and from 52% to 8% on state projects. The division has processed more project submissions while reducing the time period of review.

- The Division of Water created a new review process for evaluation of applications to identify time consuming problems early in the process and a tracking system was implemented to help prioritize these applications. At the close of 2004 there were 343 applications on file including 138 that had been under review for over 180 days. At the end of 2005, 162 applications were pending (52% reduction) and the number over 180 days was down to 31 (30 are outside Division control, awaiting information from applicants, agents, etc.). Although the volume of applications processed in 2004 and 2005 were virtually identical, 937 and 938 respectively, the average review time was reduced by 32%, **from 85 to 58 days**.

State Personnel Department

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The State Personnel Department supports the Governor and the heads of agencies in meeting their goals and objectives by proactively providing integrated human resource services.

During the second half of 2005, SPD made significant progress in implementing its strategy to centralize human resource services. SPD is now directly providing integrated human resource services to Department of Correction, Indiana Department of Environmental Management, Indiana Department of Transportation, Bureau of Motor Vehicles, Department of Child Services, Criminal Justice Institute, Inspector General/Ethics Commission, Tobacco Use Prevention & Cessation Board, Office of Faith-based & Community Initiatives, Commission on Public Records, and State Budget Agency/OMB. HR services in these agencies are now being performed by SPD staff, some of whom are embedded in the agency location as information conduits and partners implementing the strategic plans for the agency. The transactional duties are performed by SPD employees in the service center of IGC-S, W161. This strategy has resulted in a net reduction thus far of 100 positions devoted to performing HR services, representing **$3,849,000**.

In 2005, SPD has made significant progress toward the development and implementation of a new performance management tool that will energize the performance appraisal process for state employees. The new performance management forms and process were completed by August 2005 and were introduced to all agency heads at a meeting on August 24. We presented the benefits of this powerful management tool and asked for their commitment to use this process in their agencies. In September we began training managers and supervisors throughout the state on how to use the performance management process to define expectations and accurately evaluate employee performance. Since then, we have trained over 3,000 supervisors and managers, and by February 28, nearly 5,000 supervisors and managers will have been trained in how to use this process. The next round of communications will be to all non-supervisory employees about their role in the performance management process. The new evaluation system involves new forms for all phases of the performance management cycle and a new timeline to simplify tracking and accountability for the completion of employee appraisals. Beginning in March and ending in December, there will be three rounds of employee appraisals. State Personnel will develop a tracking mechanism in order to determine the completion rate of employee annual appraisals throughout the state.

SPD improved the benefit offerings to State employees. A new contract with our life insurance provider will save money for both the State and employees in premium cost. The savings to the State is about **$370,000 annually**. Entering into a contract with a new vision insurance provider increased the level of services available to employees with no premium increase for the State. Significant changes were made to health insurance to enable more responsive and efficient administration with the elimination of some regional HMO plans which had low participation and the implementation of a high deductible health plan and health savings account. SPD personnel conducted a "road show" to explain the health savings accounts and held a total of 41 training sessions throughout the state which were attended by about 3,000 employees. SPD also improved the open enrollment process by providing information on plan choices and premium rates earlier than in past years and conducting multiple benefit coordinator training sessions both live and via audio conference. During the open enrollment process the benefits administration team responded to 4,118 calls to the hot line, within 24 hours of receiving the call.

SPD streamlined the compensation and classification system. To allow management to begin to implement pay for performance in 2006 SPD developed two bonus programs: the Governor's Public Service Achievement Award and the Agency Head Spot bonus program. These programs will enable management to recognize and reward outstanding performance with cash bonuses. SPD eliminated 150 unused job classification codes which had been maintained in the system. SPD reduced the time to process requests seeking approval to hire at salaries above the minimum of the range and the process of making salary adjustments, by placing more emphasis on the recommendations of agency management. SPD streamlined the hiring process for executives by reducing the number of people involved and handling on a real time basis rather than only once a week.

SPD became the "owner" of HR PeopleSoft, which includes establishing the priorities for the implementation of new modules and directing the administration of the system to better utilize it to improve the handling of employee data. The first new module to be installed was Candidate Gateway in September 2005. This module provides a single portal for viewing job vacancies, facilitates an on-line application, recruitment screening, and selection process, and create a paperless environment. Thus far, 9,925 individuals have submitted 62,433 applications and an additional 3,930 have registered and posted a profile, but have not yet applied for a job. About 1800 positions have been filled.

The Director of State Personnel chaired the State Employees Community Campaign. A total of $1,197,000 was raised via cash donations and pledges to be paid via payroll deduction. About 1,400 not-for-profit organizations were designated by 9,400 employees.

SPD planned and hosted the annual ceremony to recognize long term employees and expanded it this year to include employees with 40, 45, and 50 or more years of service. Those with the longest service were also profiled in *The Interchange*.

Public Employees' Retirement Fund

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The Indiana Public Employees' Retirement Fund (PERF) is a $13 billion system. The six separately managed retirement funds are designed to provide secure, long-term benefits for employees who choose careers in public service. PERF currently works through more than 1,000 participating employers in Indiana to serve more than 230,000 active members and 55,000 benefit recipients and their families.

Discovery: PERF knew of over 40,000 members who had lost contact with the Fund during the last 16 years, but had not made efforts to locate them.

Action Taken: PERF located members and informed them of their money. The average account was slightly under $3,000 with the total value of all accounts at more than $116 million. Many of the members were unaware they still had assets with PERF.

Discovery: A review of county employer accounts uncovered $14 million in pension assets that had not been credited to county accounts. The increased assets allowed money that was budgeted for retirement programs by the counties to be used in other areas of their budget.

Action Taken: PERF contacted each county and, with the approval of the Board of Trustees, credited the assets to each. The four counties affected were Allen, Clay, St. Joseph and Wells.

Other Accomplishments:

- The Fund has grown to $13.2 billion, an **increase of $966 million** during 2005.
- **Savings of $1.4 million** through investment fee reductions, lease terminations, and contract renegotiations or cancellations occurred during 2005.
- *PERF Interactive*, the first on-line service to give members and employers access to their accounts, was launched in November.
- The *Bridge to Retirement* planning guide was launched in the fall of 2005. PERF is moving from a check processing organization to one that assists customers with planning their retirement.
- Competitive sourcing for microfilming and report writing projects yielded $340,000 in savings in 2005.
- The Fund recently completed its State Board of Accounts audit and reduced its audit findings by 50 percent from the previous year.
- PERF saved members $200,000 per year by no longer sending a monthly paper acknowledgement to each member who was on direct deposit. (Acknowledgements are sent annually, and whenever there is a change.) A statute that had been in place since 2003 clearly indicated that monthly paper acknowledgements were no longer required.

Department of Revenue

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The Department of Revenue is responsible for the administration, collection and enforcement of designated State taxes.

Discovery: The Department initiated an audit of all refunds in amounts of $25,000 or greater that were paid between January 1, 2003 and November, 2005. It was discovered that a number of these refunds were erroneously issued.

Action Taken: To date, the Department has identified and **recovered $20 million** in erroneous refund payments. The refund approval process has been reviewed and modified to avoid future refunding errors.

Discovery: The Inheritance Tax Division had a backlog of several thousand cases.

Action Taken: The Department first entered into a memorandum of understanding with the Attorney General's office, placing a deputy attorney general in the lead position within the Inheritance Tax Division. After reviewing the division's operations, a new structure was implemented. The division now has two Department attorneys deputized to litigate cases and three fewer employees. The result is savings of approximately $100,000 annually, upgraded staffing, improved processing and the backlog of cases being reduced.

Other Accomplishments:

- Amnesty generated **more than $255 million** in pledged collections, nearly four times the initial target ($65 million) established by the legislature. More than 98,000 taxpayers- including from all 50 states, seven Canadian Provinces and three foreign countries – participated in the program. Processing of applications was completed in January 2006 as over 30,000 taxpayers committing to over $60 million in tax liabilities mailed their returns on the November 15, 2005 deadline. Some estimate the Indiana Tax Amnesty Program was one of the most successful in the nation.

- Intermittent employees hired at the Returns Processing Center were replaced by temporary service employees and performance measures established. Unemployment benefits will no longer be paid.

- Public Affairs Division was restructured. The result was a reduction by three positions with an annual savings of approximately $70,000 and increased productivity and quality with the addition of staff possessing the proper technical skills.

- Taxpayer Services implemented a new-hire training program, requiring six weeks of training versus less than one week, as was previously practiced.

- Customer Service Training provided to audit and collection employees.

- New phone-management system implemented. The revised metrics allows better tracking of performance and management of resources.

- Budgets allocated per division for the first time. This measure is intended to improve fiscal accountability throughout the Department, and to encourage wise spending decisions.

- Protested cases reduced from over 700 to under 500.

- Phase II of I-File programming completed and ready for 2006 roll out.

Indiana State Police

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Serving Indiana since 1933, the State Police performs a wide variety of duties. Those duties include working with communities to improve public safety, enforcing traffic and drug laws, investigating crimes and enforcing the laws and regulations pertaining to commercial motor vehicles.

Integrity, Service, and Professionalism is the State Police motto and we strive to put it into action as we provide the citizens of Indiana with high quality law enforcement service.

Discovery: Toll Road employees were required to live in the county that housed the section of the Toll Road that they patrolled. The Toll Road assignment was not popular and many requested transfer to accommodate homes and property existing in nearby but out-of-bounds locations.

Action Taken: We revised the same county requirement and allowed Toll Road employees to live in any District that housed the section of Toll Road that they patrolled. This action allows for more patrol of ancillary roadways and facilitates reassignment numbers and projected traffic problems attached to Major Moves initiatives. Requests for transfer are much reduced and recruits have requested Toll Road assignment.

Discovery: Berretta handguns were at the end of their service life and in need of replacement.

Action Taken: The department was transitioned to new Glock firearms. By trading in the old Berretta service weapons and the .380 backup guns, the transition to new Glock duty weapons was cost negative. Full transition has been made.

Discovery: Department personnel filed daily reports annotating their daily activity. Costly and time consuming.

Action Taken: Department personnel now file monthly reports that annotate activity for the entire month. Much less costly and less labor intensive process in place.

Discovery: ISP had no K-9 assets beyond drug sniffing capabilities. Some of those K-9s were reaching retirement age and needed replacement. Their work recovered millions each year.

Action Taken: Drug dogs were and are being replaced with full service dogs that not only alert to drugs but also track, search, bite and provide handler protection. Three such dogs are in service, 3 are soon to enter training and the Department will have 12 such K-9s by the end of the year.

Discovery: Performance was not at an optimal level in 2004. Arrests, written warnings, and speeding truck arrests had declined every year for 3 consecutive years. During that same time period, traffic fatalities had increased from 792 in 2002 to 947 in 2004.

Action Taken: Significant emphasis was placed on road enforcement. Activity is much increased in areas of citations written, warning issued and enforcement action taken on heavy trucks. More importantly, after consecutive years of double-digit increases in the number of the traffic deaths, the trend has reversed as the number of traffic deaths was reduced (to 935) for the first time since 2002.

Office of Technology

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The Indiana Office of Technology (IOT) was established by Governor Daniels to ensure that state government achieves the highest and best use of its technology assets. To accomplish that, the Office of Technology is centralizing the previously decentralized technology management.

During 2005, the priorities of the Office of Technology have been:

- Manage information technology services according to generally accepted operating principles.
- Save money.
- Ensure that the technology systems protect the privacy of citizens and state employees.

Manage information technology services

Discovery: Contract renewals occurred at the last minute. There was no time to determine the appropriateness of renewal or for assuring that the State was receiving the best possible deal. Often, contracts were renewed only because the State was out of time.

Action Taken: The IOT assembled a list of all state IT contracts which is available online at www.in.gov/iot/procurement/. A list of all contracts expiring within the next year is e-mailed weekly to IT directors and other procurement staff. With proper lead time, contracts are now either being negotiated for increased savings or cancelled if redundant or out-of-date. IOT has **saved over $3 million** by negotiating contracts prior to renewal or procurement.

Discovery: Requests for Proposals (RFPs) for IT products and services from state agencies were often written in a manner that did not deliver the best solution to the State's business need. This frequently resulted in unnecessary or over buying or buying contracts without well-defined deliverables.

Action Taken: The IOT developed a set of best practices for RFPs with input from the private sector, available online at www.in.gov/iot/procurement/rfp_best_practices.html, which has already begun to yield impressive results.

Save Money

Discovery: Multiple state agencies have made, and continue to make, substantial investments in geographic information systems (GIS), which is proving to be a key tool in the areas of economic development, emergency management, public health, and safety; however, their efforts were not coordinated. This resulted in incompatibilities and redundant spending.

Action Taken: Developed a Center of Excellence combining the talent and resources of six of the largest agencies that use GIS. Just starting, this has saved the state $180,000 in training and software license fees. By consolidating the State's GIS assets, the state not only realized immediate savings, this will have a material impact on the cost of delivering GIS applications going forward.

Discovery: Over $8.5 million was being spent annually on redundant IT services due to the decentralized management structure.

Action Taken: To date, **$3.4 million in annual savings** has been delivered by consolidating these redundant services across approximately one-third of the Executive Branch agencies.

Discovery: IOT's review of state IT procurement requests continues to identify opportunities for cost savings.

Action Taken: **$3.047 million has been saved** by renegotiating the terms of existing contracts, contract renewals, and initiating special bids for high volume computer purchases.

Protect privacy and security

Discovery: Protecting the privacy of citizens and employees and protecting the State's ability to provide consistent service is a major responsibility of the Office of Technology. Based on a security assessment completed in December 2005, the State's security posture is below minimum requirements.

Action Taken: The major security deficiencies were identified and repaired as a result of the assessment. A Chief Information Security Officer has been hired to manage the information security posture of the State. A State-wide security policy has been published and compliance is being measured. There is now a formal group of security initiatives that are being implemented throughout 2006.

Discovery: Although statute requires annual reporting to the General Assembly and to the Governor identifying what personal information is collected, no evidence was found that such a report was ever filed. The statute has been in existence since 1977.

Action Taken: The IOT led an effort to coordinate the responses of all agencies, and IOT constructed a database of all personal information systems. This new database becomes the foundation for protecting personal information, identifying ways to consolidate the collection systems, and aiding the creation of a data recovery plan.

Other Accomplishments:

- Formed a multi-agency task force, including: Office of Management and Budget, State Board of Accounts, Auditor of State, State Personnel, Department of Administration, and Office of Technology to manage the implementation of the state-wide financial system. To date, there are now a total of 83 agencies converted to the new financial system. It is expected that by the end of June 2006, 90% of the Executive Branch agencies will be converted.

- The IOT has transitioned 19,777 mailboxes across 30 separate e-mail systems to IOT's centralized e-mail system, resulting in a reduction of redundant support staff and software and hardware costs. Approximately, 75% of the Executive Branch agencies have been consolidated into a single, centralized e-mail system.

- IOT restructured the rates charged to other state agencies to be based on the cost of delivering the services, lowering the costs charged to state agencies. The rates went into effect on July 1, and IOT estimated $6.6 million in annual savings. Upon review, **$16 million will be saved annually**.

Department of Transportation

Tom Sharp, Commissioner
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INDOT's mission is to build, manage and operate a superior transportation system enhancing safety, mobility and economic growth.

Overview

The department identified a 10-year, $2.8 billion gap between necessary highway projects and funds to pay for the work. Indiana, because of its natural location, can become a worldwide logistics and distribution center – generating tens of thousands of new, good-paying jobs for Hoosiers. Governor Daniels created the Major Moves transportation program to seize the tremendous opportunity to improve and upgrade the state's transportation system, and to fill the state's transportation gap. In 2005, INDOT performed a top-to-bottom reorganization called TOP DOT with the goal of becoming one of the top five departments of transportation in the country. A summary of the organizational changes is provided below.

Planning & Production

The Production Management Division, which oversees the design and development of new construction projects, is currently identifying processes to reduce project development time by up to 40 percent. Non-critical processes are being analyzed and, if they add no value, are being removed from the process.

To make project delivery more predictable, the division is developing a new project management system that allows managers to utilize technological tools and training to become much more effective in managing the scope, budget and schedule of projects.

Contract Administration and Construction Management Divisions

These divisions primarily focus on streamlining the contracting process to reduce the time from the conception to construction completion. We are utilizing a new professional services selection process so the department complies with federal requirements. INDOT is revising its construction change order process to gain control of unanticipated costs and to improve future contracts. We are streamlining consultant contracts and negotiations to ensure fairness, consistency and transparency in selection process. Where feasible, we are eliminating redundant approvals to keep projects on schedule. Our staff is also investigating changes to our prequalification process for contractors – which require changes to the Indiana Administrative Code.

Highway Operations Division

We are developing a new work management system that will allow a more efficient means of collecting and reporting of work activities (which include manpower, equipment and materials management). Work zone safety will also be enhanced through the work zone management section that will serve as a clearinghouse for work zone design, operations, and training. We are also centralizing our sign fabrication operations to save money and manpower.

Facilities and Equipment Management Division

New processes are reducing the quantity and types of items held in our sub-district stock rooms. This has resulted in a **savings of $2.5 million**. We will continue to monitor usages and will develop measurements that track our turnover of stock to maintain efficiency in this area. This division is re-engineering our physical facilities to ensure our districts have the physical space and equipment needed to operate under the TOP DOT structure.

Traffic Management Business Unit (TMBU)

The TMBU was formed to be more responsive to traffic management on our interstates and major highways. The five divisions are responsible for developing innovative approaches to moving people and goods efficiently to maximize the capacity on the existing roadway.

Traffic Management Centers Division

Oversees INDOT's two traffic management centers (TMCs) in Gary and Indianapolis. These TMCs monitor traffic in their respective areas for the purpose of quickly responding to any incident that may cause a traffic restriction. The Hoosier Helpers operate out of these facilities and in the Falls City area in southeast Indiana. Hoosier Helpers assisted more than 35,000 motorists.

Incident Management Division

This division establishes statewide relationships with local emergency responder agencies for the purpose of addressing any type of incident, such as weather or homeland security, in which INDOT may be involved. There is a statewide interstate detour routing plan being established to minimize the impacts of major long-term closures to the interstate system.

Traffic Control Systems Division

This division is maximizing traffic signal control systems to ensure traffic is moving as efficiently as possible. For economic growth it is critical to minimize traffic delays. The top five "arterials of need" in each INDOT district are currently being identified for examination. Already the division has solved a problem at an I-65 ramp intersection in Clark County that was experiencing crash problems. Analysis and re-timing have resulted in significant improvement, i.e. reduction in crashes.

Technology Deployment Division

This division oversees the "operational health" of INDOT's Intelligent Transportation Systems (ITS) field equipment. This equipment includes dynamic message signs, closed circuit television cameras, wireless microwave communications system, installation and use of a fiber optic network, highway advisory radio, and other similar types of equipment. Cameras installed along the Borman Expressway in northwest Indiana are available on the Web for motorists to see real-time traffic conditions before setting out on a trip.

Freight Mobility Division

As a logistics state, truck freight mobility is crucial and this division is developing applications to improve truck travel. Trucks are increasingly relied upon to minimize inventory are used for just-in-time delivery systems. This division focuses on strategies to improve truck mobility in the state with the goal of making Indiana a more economically viable place to do business.

Financial

The mail room operation was streamlined for an annualized savings of $24,600.

Transportation Practice Group in Attorney General's Office

INDOT Legal, working with the Attorney General's (AG) office, established a new Transportation Practice Group in the AG's office – merging tort, contract, real estate, litigation and transportation law functions into one specific discipline focused on INDOT service delivery. Staff from the AG's office are now imbedded at INDOT and work with the legal staff.

Administrative Law Judges (ALJ)

Through a memorandum of understanding with the AG's office, INDOT has access to ALJ's who are not part of the INDOT legal team and do not report to the Commissioner. This allows all INDOT lawyers to function as a team in preparing for an

ALJ hearing and creates a neutral hearing officer for parties appealing INDOT decisions to ALJs. The arrangement also serves the DBE appeals process (see below).

Economic Opportunity Office

Established a new director for the Economic Opportunity Office. That office in cooperation with Contract Administration, Construction and the District EEO officers is primarily responsible for assuring compliance with the federal transportation Disadvantage Business Enterprise (DBE) requirements. The most significant process changes are related to merging the DBE certification work and files formerly done and retained at the Indiana Department of Administration (DOA) with the remainder of DBE work required to be done at INDOT. After a transition in which both DOA and INDOT staff committed substantial effort, the DBE program is operating out of INDOT with substantially fewer bureaucratic hand-offs.

Internal Affairs/Internal Audit

Internal Affairs has implemented a full change order audit process throughout the State (currently ongoing) in cooperation with contract administration, construction and the prequalification committee. This is in response to both change order abuses in the Seymour District in 2003 and 2004 as well as to the recommendations from the Indiana Inspector General.

Local Programs Division

The Aviation office, working with local airports and the Federal Aviation Administration, **obtained a record $79 million** in airport development grants. This is 17 percent higher than the previous record.

Hearings Office

Created project facilitator positions to provide better customer service by meeting with the public on projects greater than $5 million.

Rail Office

Awarded 11 grants totaling $1.7 million to 11 short-line railroads to help pay for track upgrades to improve rail service in communities and rural areas across the state. Improving these areas enhances opportunities to grow and attract businesses to Indiana's smaller communities.

Awarded $360,000 for railroad crossing safety improvements at 496 passive (non-train activated) railroad crossings throughout the state.

Transit Office

Awarded $40 million in state funds and $7.2 million in federal funds for operating and capital (vehicles, facilities, etc.) assistance to 55 public transit systems.

Procured 68 vehicles (modified vans, mini-vans, standard vans, and light transit vehicles), at a cost of $1.8 million, for specialized transportation providers around the state. The vehicles were awarded to non-profit agencies for transportation of elderly and disabled persons.

Communications Division

Established the Customer Service Section to answer citizen inquiries. The center has handled more than 10,000 calls, letters and e-mails since mid-2005. A customer service database is currently under development which will allow the department to track complaint subjects so that solutions can be developed to address these issues. There will be customer service staff in each of the six sub-district offices to address local constituent relations.

Department of Veterans Affairs

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Director
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The mission of the Indiana Department of Veterans Affairs is to train and certify the County Veterans' Service Officers (CVSO) in order for them to better serve the veterans of Indiana; to administer all state veterans' benefits programs; advise the commissions for the Indiana Veterans' Home, the Soldiers' and Sailors' Children's Home and the Indiana War Memorial, and oversee the operation of the Indiana Veterans' Memorial Cemetery at Madison, Indiana.

Accomplishments:

- With the cooperation and endorsement of the Adjutant General of the State of Indiana, Major General R. Martin Umbarger, IDVA has formed the Hoosier Veterans Transition Program to provide direct assistance to demobilized Guard, Reserve and active duty service members with required claims and applications. This assistance will take place at unit armories during the first mandatory weekend drill after their return, normally between 90 and 120 days. The program brings together all the state and federal agencies required to insure that the returning Guardsmen and Reservists, as well as any recent active duty returnees, receive all the assistance they need to receive entitled benefits.

- Perry County Veterans' Service Officer, Sarah Peter, has been selected by IDVA as Indiana's first Women Veterans Coordinator. She will be available to answer questions and refer female veterans in the State to the proper agency, and will coordinate with other states to insure the female veterans in Indiana receive all the benefits to which they are entitled.

- IDVA began the planning and construction of the **Indiana Operation Enduring Freedom** and **Operation Iraqi Freedom** Memorial Wall to be dedicated on January 9, 2006 in the hallway outside its offices. The Wall will feature a memorial to each individual who sacrificed their life since the beginning of the Global War on Terrorism began. Each memorial will detail the casualties name, rank and branch of service, their age, their hometown, and the date of their death. Each memorial contains the wording, their "sacrifice was not in vain and will not be forgotten."

Department of Workforce Development

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The Indiana Department of Workforce Development (IDWD) is the agency that administers Indiana's employment programs, training programs and unemployment insurance system. In serving our various customers and operating over a dozen distinct programs. Under Governor Daniels, IDWD is focused on three overarching priorities: growing Hoosier jobs and increasing employment, growing the personal income of Hoosiers, and delivering premier customer service.

General Administration

- Through newly established DWD grants office, and often in conjunction with Governor's office, have been awarded approximately $5 million in competitive federal grants and have applications for approximately $2 million pending.

Employment and Training

- Designed and launched $23 million Strategic Skills Initiative to national recognition. Regional demand-driven initiative, that uses funds previously spent at state level often on studies, to determine critical skills and occupational shortages and fund training solutions to place more Hoosiers in better paying jobs.

- Obtained US DOL approval on strategic workforce plan with national recognition. Among other things, plan consolidates regions, shrinks board sizes, shifts **$2 million in administrative costs** to training and brokers greater accountability, flexibility and competition at regional levels.

- The State Human Resource Investment Council (SHRIC) was re-established and met twice in 2005. The SHRIC will be supported by the Customer Solutions organization and will not require hiring additional staff. Prior to this administration, the SHRIC did not convene for approximately two years and employed staff, including a Director with a $65,000 salary.

- Subsequent to passing of SB 536 legislation, revamped incumbent worker training grant program into the Training Acceleration Grant program. Removed automatic allocations to select providers and specific industries, cut turn-around time in half, lowered matching requirements for small business and will launch online application in February 2006.

- Announced $1.5 million federally funded workplace literacy pilot program to be launched in spring of 2006 that will begin to attack literacy gap highlighted in 2005 Indiana Chamber of Commerce study. Currently have issued RFP, to national attention, to fund 8-12 employer-driven pilots that focus on improving basic skill levels of Hoosiers to position them for improved wages and/or post-secondary education.

- Revamping labor market intelligence by integrating multiple intra-agency data sources to provide better research & analysis on workforce and economy. Will be integrating DWD & educational records as Phase 1a (Summer '06) and inter-agency (DOR, BMV, FSSA, etc.) records in Phase 2 (Winter '06/Spring '07).

- Revamping career technical education to create career pathways to high-school students into high-wage high-demand industries. Injecting competition and accountability, while shifting emphasis to science, math and technology. Initial new programs include Indiana Robotics, in which DWD has awarded $275K in competitive grants to high-schools to start robotics teams or robotics enterprises, and Project-Lead-the-Way for Biomedicine, in which Indiana will be partnering with four other states to introduce pre-college and college biomedicine curriculum in high schools beginning in 2007.

- Launched WorkEthic Certificate program in conjunction with employer community, in which junior and senior high school students at participating schools can earn a Certificate signed by the Governor for demonstrating such key attributes as attendance, community volunteerism, teamwork and good coursework. Certificate has been endorsed by the Indiana Manufacturers Association, state and local chambers, Building Trades and many other industry and educational institutions. To date, 53 high schools and 215 businesses have signed-up to participate.

Unemployment Insurance

- Negotiated $23.9 million contract with an Indiana company to modernize the state's unemployment insurance technology through the deployment of a state-of-the-art system. Employers and claimants will begin to reap the benefits of the updated system in the summer of 2006. (Former TATA contract)

- Vastly improved the overall performance of the unemployment insurance timeliness while reducing unemployment insurance administrative expenses by **approximately $2.7 million**. In position to meet federal timeliness standards for first time on record. Outstanding claims are currently below 8,000 compared to 15,000+ this time last year and past Januarys.

- Implemented first-of-its-kind program using Indiana University law students to hear unemployment insurance appeals. This program resulted in significant savings in administrative dollars and helped to cut a long-standing appeals backlog nearly in half.

- Issued RFP to become first state to fully transition from payment of unemployment insurance via paper check to debit cards. With expected implementation in spring of 2006, will result in **$1.7 million in annual savings** and improved service to claimants.

- Designed plan to improve collection of delinquent UI taxes with scheduled implementation in winter of 2006. Currently $57 million in delinquent taxes, penalties and interest with limited to no action taken to recover it in the past.

- Backlogs in the Work Opportunity Tax Credit (WOTC) program and Welfare to Work (WtW) program have been reduced from 30,000 in January, 2005 to **less than 2,000**. These are two federal tax credit programs designed to encourage employers to hire individuals who have difficulty in securing and retaining employment.

- Introduced technology upgrades that will allow employers to now pay their UI taxes via credit card or electronic transfer.

- Won bid to host a national unemployment insurance technology conference in the summer of 2006.