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Performance Audit Division Brief:  
*Reducing State Contractual Services to Achieve Cost Savings*  
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**Introduction**

On December 16, 2009, the Office of the State Auditor (OSA) received a request from the Office of the Lieutenant Governor to “conduct an analysis of State contracts and estimate the likely savings from renegotiation.” OSA undertook a review of expenditures in all areas of contractual services from FY 2009; reviewed actual contracts posted to the State Transparency website; and reviewed other states’ attempts to achieve contractual service cost savings. *To that end, OSA believes that with a targeted approach that places efficiency at the forefront, yet maintains necessary services to the public, the State can achieve savings of \$96.7 million in Contractual Services.*

OSA recommends the use of an agency by agency targeted approach to any reductions in contractual service costs. That is, using varying percentages of cuts by category which is based on agency necessity will achieve the most effective results. *OSA does not recommend across-the-board reductions be mandated statewide.* Across-the-board cuts almost never achieve effective savings because they do not consider agencies or categories where larger percentages of cuts could be made with little impact. Nor do they consider agencies that have already streamlined operations or which have already been cut through their appropriations.

Such mandates will eventually place critical contractual services in danger; place various agencies in litigious situations; and be punitive against agencies that can show that they are already cutting costs, reducing unnecessary programs, and being efficient with their use of taxpayers’ dollars. Most importantly, across-the-board cuts to all

contractual services or for all State agencies, boards, and commissions will not achieve the level of cost containment and reduction identified here, nor will it promote performance-based government.

Some agencies, boards, and commissions spend relatively little on contractual services when compared to other agencies. Some agencies have mandates to make large contractual expenditures, while others may have gradually progressed to large contractual expenditures as their general fund budgets grew. While revenues were up, there was more flexibility and leniency in agency expenditures. Now, State government must evaluate, prioritize, and reduce unnecessary expenditures.

The recommendations in this brief focus on a number of expenditure areas by category. Specifically, recommendations in this brief focus on areas which may be reduced more easily, especially if cost-benefit analyses were applied.

This paper approaches the issue of temporarily reducing, renegotiating, or eliminating contractual services by account fund categories and includes recommendations to achieve these cuts.

In general, OSA recommends that the Legislative Budget Office work in conjunction with appropriate House and Senate members, as well as the Governor’s Office, the Department of Finance and Administration (DFA) and affected State agencies to achieve these savings. It is possible that in making these reductions, in evaluating programs, etc., that additional contractual service and other expenditure category savings could be realized. In addition, there are a number of other areas, besides contracts, that the State could see significant savings without cutting large numbers of personnel or reducing critical services that taxpayers expect.

*Regardless of our economic circumstances—whether revenues are up or down—State government should always spend wisely, negotiate the best prices, and focus on high quality, essential services.*

*-State Auditor Stacey E. Pickering*



## The Evaluation Process

In order to complete the review, OSA gathered contractual services expenditure data<sup>1</sup> for the 2009 budget year (FY 2009) from the State MERLIN system.<sup>2</sup> Staff then reviewed definitions for all contractual services account fund numbers, and sampled actual contracts posted to the State Transparency site.<sup>3</sup> In addition, OSA researched and reviewed concepts either being considered or implemented by other states as they also try to reduce contractual service costs. Numerous other states<sup>4</sup> have convened panels, involved the public, and assigned certain agencies to review ways to make state contract services less costly. Through legislation and executive orders, these states have already begun making the tough decisions about state “wants” and state “needs” in government operations.

OSA Staff evaluated expenditures of various State agencies with any type of contractual services expenditures. *It is important to note that there are certain types of essential contractual services that should not or cannot be eliminated or reduced due to mandates of State law, federal laws and regulations, court settlements, etc.*

## Areas of Potential Savings

In the State accounting system, there are ten (10) subcategories of contractual services and under each of those there are more subdivisions. As agencies expend their appropriated funds, they code them under these subdivisions of sub-categories in the State system. Again, not all categories should or can be reduced or eliminated due to legal, regulatory, court, or other requirements of federal or State government.

OSA staff analyzed expenditure data for the fiscal year that ended June 30, 2009. This section provides the results of that analysis related to areas most able to be reduced without cutting services to citizens. It is understandable if none of these recommendations are met with enthusiasm or even favor. All of them require sacrifice to implement.

Some agencies will face larger percentages than others in these recommended reductions and eliminations. But, it is always important to remember that all money expended by state agencies belongs to Mississippi taxpayers. During these difficult economic times, essential services are more

important than the extras that many agencies have come to expect. This is the time where needs and wants must be separated and needs must take precedence.

One of the first general recommendations OSA makes is for an immediate Legislative mandate that each State agency evaluate and take steps to reduce, renegotiate, or eliminate contractual services costs. OSA also recommends that all vendors be asked to review contractual arrangements with Mississippi government and offer price redetermination options that will lower their charges for service to the State. Finding the best possible price for services should transcend poor economic times. We should not wait for these times to determine how to save money or spend more wisely. State agencies should do this continuously, regardless of the economic conditions we face.

Initially, some agencies may believe that they will be unable to function without some of the things they have had for many years, but these are all short-term recommendations, which can be re-evaluated as the economy improves. ***In an effort to promote the theory of performance-based budgeting, making these reductions and then later re-evaluating them for change will offer the Legislature, the Governor, and all agency heads the opportunity to make decisions about what is truly important in order to provide services to citizens.***

Some of these recommendations will impact vendors because there will be reductions in State spending if they are implemented. However, these are short-term recommendations to save and redirect funds to essential services.

### **Tuition, Rewards, and Awards (61010-61099)**

Of the six (6) subdivisions under this subcategory, OSA recommends a ninety percent (90%) total reduction of expenditures. In FY 2009, this category had \$4,199,460.32. A 90% reduction would save the State \$3,779,514.29, leaving just over \$400,000 to pay for required employee training. While certain training is essential to maintaining licenses and professional certifications, ***OSA recommends the cessation of all non-required training and consulting contracts and services for the next year. During the next year, only CPE, CLE, and other similar professional standards training will be approved for payment. Further, those would be required to only be conducted in the least expensive manner possible.***

Additionally, ***OSA recommends that agencies should rely on internal training capacity*** (internal within State government) for the next year. In light of existing economic conditions, ***OSA recommends that the State Personnel Board (SPB) should also:***

<sup>1</sup> Data was analyzed by State Agency expenditures by category as well as grouped by individual fund account numbers.

<sup>2</sup> While reviewing a 5 to 10-year period of expenditures might yield a more accurate analysis, such a review would take several months to complete.

<sup>3</sup> Choose “Transparency Reports” on the DFA website to view contracts: [www.mmrs.state.ms.us/statewide\\_applications/Transparency/index.shtml](http://www.mmrs.state.ms.us/statewide_applications/Transparency/index.shtml)

<sup>4</sup> Such as Louisiana, Vermont, Maryland, Kentucky, Florida, Iowa, Michigan, Indiana, Washington, Ohio, Virginia, and North Carolina, and other states.



- coordinate other training activities to find sufficient, low- or no-cost opportunities for CPE; CLE and other professional certification training;
- aid all State agencies in acquiring all necessary training to maintain required professional licensing, accreditation, and certification;
- work with ITS, where ITS coordinates all IT related training for State agencies, thereby aggregating and reducing costs of such training;
- develop a list of subject matter experts within State government who can assist with training and consulting for other state agencies and employees; and
- work with licensing boards to aid in developing low or no-cost training for State employees.

Where in-state, free, web-based, or similar training is available, state agencies should be required to choose such options first. Required professional licensing training may include medical, engineering, auditing, legal, or other professions where agency accreditation or capabilities will be negatively impacted without such continuing education or certification training. Optional, non-essential training should be suspended for the fiscal year, or until the revenues of the State improve.

OSA understands that educational opportunities for State employees often help alleviate the lack of competitive salaries common in State government and are important to the State to maintain a well-trained work force. However, as this is a recommendation for a one-year reduction or moratorium on non-essential training, with a mandate that State agencies seek low-cost alternatives to what they may have traditionally paid for in the past, in the long run, it protects the workforce that is essential to providing the services expected by citizens. At a time when the State is considering additional charges against all employee salaries such as increased contributions to PERS, cutting back temporarily on training that not all State employees have access to is more than equitable.

#### **Postal and Transportation of Commodities (61100-61199)**

This subcategory has four (4) subdivisions, which OSA believes could be reduced by as much as twenty-five percent (25%) during the next year by requiring State agencies to switch to electronic mail outs, notices, etc. and reducing other transportation costs where practicable. The FY 2009 total for postal and transportation of commodities was \$13,577,967.59. A 25% reduction in this subcategory of contractual expenses would save the State \$3,394,491.90, leaving approximately \$10,183,476.69 for such costs.

Agencies that traditionally have many mail outs will have the largest opportunity for cost savings. For example,

where a State agency has newsletters, magazines, notices, etc., which are traditionally mailed out, other less expensive options should be utilized as much as possible.

This recommendation is not intended to be applied as an equal, across-the-board percentage mandated and applied to each agency, board or commission at the same level. Rather, these cuts should be focused and targeted agency by agency, board by board, and commission by commission, in an attempt to trim inefficiencies that still exist, while not inhibiting State entities with already reduced operating budgets and that have already made some of these reductions.

To their credit, many State agencies have already begun reducing these costs as across the board budget cuts have been implemented throughout the past year. For example, OSA has not only changed from mailing out the *Technicalities* newsletter to e-mailing it, the agency has switched to electronic invoicing/billing, and has significantly reduced the numbers of printed reports and the number that are mailed out. These changes over the past year have resulted in thousands of dollars less in postage costs alone, not to mention the ancillary printing and labor costs involved in preparing such mail outs. ***Brochures, notices, newsletters, etc., which are not legally required to be mailed using traditional mail services should be posted to official websites and e-mailed or electronically faxed whenever possible.***

#### **Utilities (61200-61299)**

The Utilities subcategory of contractual services has only four (4) subdivisions of account codes: electricity, gas, water, and sewerage. The costs of these utilities are, for the most part, outside of the control of State government. However, based on research of other states' efforts, OSA believes that Mississippi State government could achieve as much as a five percent (5%) reduction in these costs over the next year by implementing and building on practical, reasonable power utilization plans for all State buildings. Utilities accounted for \$35,721,048 in costs in FY 2009. A 5% reduction would save \$1,786,052.40, reducing the total to be expended down to \$33,934,995.60 for all State agencies. DFA should be mandated to promulgate rules related to a 5% cost savings for all State buildings and agencies. A search of the internet revealed numerous examples of energy use reduction plans.

#### **Public Information (61300-61399)**

This subcategory includes seven (7) subdivisions such as advertising, promotional expenses, promotional dinners, signs and billboards, and exhibits and displays. In FY 2009, this group of expenditures accounted for approximately \$12,331,330.94. Public information is



obviously important to get messages and information to citizens. Legally required newspaper ads for job openings and other legal notices are included in this subcategory of contractual services and have little opportunity for cost reductions. However, many ads for programs, services, etc. and promotional events, exhibits, and displays are also part of the Public Information subcategory. Some of these advertising programs are not a true necessity, some can be funded with federal dollars, and some can be made more cost effective through renegotiated contracts.

Agencies contract for the design of new advertising campaigns that can be used in all media outlets. During tough fiscal times, there is no reason why existing campaigns can't be continued rather than paying to have new ones designed. Similarly, the redesign of non-essential web pages by outside vendors is another area where contractual service costs can be reduced—at least temporarily. Where not eliminated, contracts for advertising services can be re-negotiated for lower overall costs.

Every year, certain agencies design and purchase thousands of non-essential marketing items for various State programs. These items are primarily handed out at conferences or other similar events. While these items do promote programs and provide information, this same information can be provided free of charge on agency websites all the time. Temporarily reducing or eliminating promotional costs can help place State dollars for necessary and needed services more easily.

Even though today's media markets tend to have off-hour public service announcements (PSAs) spots, they can still be utilized to get a message out, if necessary. Again, renegotiation, reduction, or elimination of purchased media time can help place dollars where they are more needed.

OSA recommends a moratorium for all new State-funded non-essential advertising (except for federally mandated ads, necessary health warnings, etc.) and that where possible, renegotiations or reductions of existing contracts take place. This moratorium includes advertising design, creation of new marketing campaigns, advertising through television, radio, newspaper, magazines, billboards, and other media.

Where printed newsletters, brochures, and magazines are paid for with tax dollars (design, printing, mailing, etc), OSA recommends that these items be targeted for reduction and be changed to electronic publications where possible. OSA also recommends that each agency evaluate such publications for necessity and service to the tax payer. Any advertising, publications, or other marketing tools that can be paid for with alternate funds (non-State) do not have to be eliminated.

***OSA recommends a one-year moratorium on all new State-funded "promotional" expenses, including item purchases, dinners, reimbursements, etc. as well as the elimination of all but legally mandated advertising and***

***public information.*** Where possible, renegotiations or reductions of existing contracts should be undertaken by State agencies. Mississippi could achieve as much as a seventy-five percent (75%) temporary savings over the next year. This would amount to \$9,248,498.20 in savings. As in all of these recommendations related to contractual services, the implementation of these reductions will not be easily accepted, but should be considered in light of the economic times.

### **Rents (61400-61499)**

The Rents subcategory is comprised of nine (9) subdivisions and with total expenditures of \$41,076,079.82 in FY 2009. Rents include such necessary items as rental of office equipment, capital facilities, buildings and floor space rentals, and records storage. It also includes land rentals, exhibits, displays, conference room rentals, and other rentals. OSA recommends that, based on priority ranking of necessity and use, there is a minimum eight percent (8%) reduction in Rents.<sup>5</sup> Such a reduction would save \$3,286,086.38 and still leave more than \$37 million for this subcategory and its subdivisions. ***OSA recommends that each State agency, board, commission, and any other instrumentality of the State (including school districts, universities and community & junior colleges) that receives state funds, immediately evaluate its property (buildings, floor space, etc.) and land rentals to determine what eliminations and reductions are possible and take action to make those reductions in a timely manner. Further, OSA recommends that each entity be mandated to make a report to the Legislature regarding their evaluation of such property rentals.***

### **Repair and Service By Persons Outside the Agency (61500-61599)**

This subcategory of contractual services is comprised of many essential subdivisions, yet, still, it is also one where savings may be achieved through reductions of underutilized contracts and renegotiations. The State does not have sufficient resources in normal economic times to do all of its own repair and maintenance of vehicles, machinery, equipment, furniture, grounds, roads, bridges and other items. Therefore, it is necessary for the State to contract such services. Last year, this subcategory accounted for \$40,579,956.64 in payments.

***OSA believes and recommends that through renegotiated contracts, consolidation of contracts, and the elimination of under- or non-utilized contracts, the State could achieve a ten percent (10%) cost reduction to***

<sup>5</sup> When the first round of budget cuts were made in FY 2009, OSA evaluated space utilization and determined that the agency could eliminate certain space. This space was officially turned over to DFA, thus saving the agency thousands of dollars.



*this subcategory, saving another \$4,057,995.66 for the State.* It is possible that greater savings could be achieved, but should not be at the cost of maintenance, repair, and service of existing items. State agencies are already not able to fill existing vacant positions, nor purchase new equipment, machinery, and vehicles. Maintaining what we already have is vitally important right now. Proper maintenance can extend the life of existing items and therefore reductions to this area should be undertaken, but should not be done at the expense of maintaining what the State already owns.

### **Fees, Professional, & Other Services (61600-61699)**

Again, this is a necessary subcategory of contractual services because it includes contracts with doctors, nurses, foster care payments, DHS client transportation services, legal services, architecture and engineering fees, State agency fees for the State accounting system, witness fees, laboratory and testing fees, and numerous other critical services. Many of these subdivisions are of direct benefit to many Mississippi citizens and taxpayers. It is important that many of these subdivisions be protected from cuts and reductions, especially where many reductions have already taken place. However, there are still opportunities for some savings through renegotiation, consolidation, reduction, or even elimination of certain contractual arrangements. *OSA estimates and recommends that the FY 2009 total expenditures of \$346,262,903.05 could be reduced by \$49,448,280.57, which, although it achieves a 14.28% overall reduction in costs, such reductions are only being recommended in specific areas.* Namely,

- A 5% reduction in Engineering Services (61610) and MDOT engineering services (61612);
- A 20% reduction in Personnel Service Contract related areas (61651, 61652, 61653, 61658);
- A 90% reduction in Entertainers Fees (61681); and
- A 30% reduction in Other Fees and Services (61690)

There are other contractual areas in this subcategory, which the Legislature may consider for reductions, renegotiations, consolidations, or eliminations, and which may yield greater savings, but they are not addressed in this recommendation. Caution should be used in reducing any direct-to-citizen related fees and service expenditures.

### **Other Contractual Services (61700-61899)**

This subcategory of Contractual Services has many unrelated subdivisions that are mainly State government payments for insurances (employee, liability, property, etc.), federal wire charges, service charges, laundry services, utility relocation fees related to construction of roads, highway rights-of-way replacement housing, and

similar services. *However, there are two (2) areas that OSA believes and recommends significant reductions should be mandated: Membership Dues (61720) and Subscriptions (61721).<sup>6</sup> A seventy-five percent (75%) reduction in membership expenditures and a ninety percent (90%) reduction in subscriptions would yield a \$2,406,874.42 savings for the State.*

While relatively few State employees have enjoyed the benefit of having their State agency pay for memberships and subscriptions on their behalf, during this time of revenue shortfalls, *OSA recommends that the State—at least temporarily—suspend paying the membership dues and subscriptions for all employees. OSA recommends that the Legislature mandate that for the next year, no individual memberships or subscriptions be paid with state dollars. OSA recommends that only necessary group memberships be purchased by the State and where one membership would cover all state entities, individual agencies not purchase them separately.*

Even though Subscriptions is a relatively small expenditure subdivision, OSA recommends it be reduced by as much as 90%, reserving enough for necessary or required publications only. Newspapers, legislative tracking services, non-profit periodicals, entertainment and other periodicals are not generally necessary for State agencies to function. These subscriptions should be eliminated, at least temporarily, until revenues improve.

For any necessary subscription costs, a limit of one per agency for the coming year should be implemented. Magazines and other periodicals should be shared where possible; otherwise individuals should pay for such subscriptions on their own.

While there are necessary and required memberships for State agencies to maintain certain professional licensing, accreditation, and certifications, many memberships are optional. *OSA recommends these optional memberships, as well as all individual memberships should be eliminated and a temporary moratorium placed on such memberships being paid by State agencies.* The only memberships that should be allowed for the coming year are those that are required for agencies to maintain any required professional certification, accreditation, or licensing status.

*Additionally, OSA recommends the State attempt to consolidate agency paid memberships. Because all agencies are part of State government, the State could undertake to purchase a single membership to certain organizations for all agencies in the State. OSA*

<sup>6</sup> Please note that while this fund account number is not supposed to include magazines, newspapers, and periodicals, it does. There is another expenditure code (62150) that should contain these expenditures, but which is part of commodities and not contractual services. This other expenditure code, although in FY 2009 accounted for \$2,136,314.40, also appears to include such items for libraries and other public access documents and should not be cut unless there are expenditures for non public access, non-essential publications used only by agencies or individuals employed by agencies.



*recommends that, rather than having multiple State agencies all purchasing separate memberships to the same organizations, DFA, the SPB, MDITS, or other appropriate agency should procure a single State membership that covers all State agencies.*

### **Information Technology (61900-61990)**

This is the final contractual services subcategory for which OSA is making recommendations for reductions, cuts, and eliminations.<sup>7</sup> In FY 2009, this category recorded \$96,353,760.90 in expenditures. Subdivisions of the Information Technology (IT) subcategory include IT professional and telecommunication fees to outside vendors, equipment installation fees, training fees, telephone services, network charges, cellular and pager costs, communication equipment rentals, repair and maintenance of systems, and equipment, and numerous other related expenditures. It includes both MS Department of Information Technology fees to agencies, as well as outside vendor payments.

*To save \$19,270,752.18, OSA recommends that the Legislature require contract renegotiations, reductions, and consolidations as well as the elimination of unnecessary consulting and other non-essential expenditures of twenty percent (20%).* Through evaluation of each State agency's expenditures and reasonable application agency by agency, these and other savings can be achieved. Reduction, consolidation, and renegotiation of IT/IS contractual services and procurements could result in significant savings by the State.

Additionally, telephone services of all types are included in this subcategory. Because many agencies issue cell phones to their employees and these employees also have land-lines, it is *OSA's recommendation that each agency be mandated to evaluate this issue for redundancy and eliminate unused and unnecessary phone services.* Providing either a land-line or a cell phone for employees (whichever is more appropriate and least expensive) is far more efficient than providing many state employees with both a land-line and a cell phone.

The versatility of cell phones allows greater flexibility for many State workers. They are no longer tied to their desks when communicating with others. Often, cell phones are a necessity for field staff, too, since there are virtually no pay phones available in the State and it is difficult to communicate any other way while employees are away from the main office. Evaluations of necessity and use for all telecommunications, followed by reasonable reductions will save the State money.

<sup>7</sup> There is one other contractual services category "Other" which includes no expenditures that appear to be relevant for reduction or elimination.

Consolidation of software procurement can also help reduce overall costs to the State. Reduction or elimination of non-essential software and hardware purchases, and especially equipment purchases can save the State significant amounts of money. OSA also recommends that the Legislature consider imposing at least a partial moratorium on new IT purchases. Essential purchases to replace failing or failed systems would be approved, but cyclical replacements of sufficient and operable/working equipment and software would not. Only absolutely essential software and hardware upgrades should be made in the next fiscal year.

### **General Contractual Services Recommendations**

OSA recommends that the Legislature and the Governor take immediate action to mandate the elimination, reduction, renegotiation (for lower costs) and/or cessation of all non-essential contractual services for the next fiscal year. OSA further recommends that for any agency that has essential or necessary service contracts, the agency head should submit to LBO a rationale for why the service or contract should be maintained and any cost reduction strategies that will be implemented.

Utilizing contractual price redetermination language in all future contracts will allow the State to renegotiate for lower rates at key points in the contracts and will enable vendors to provide their best possible pricing for State purchased services and products.

For any vendors with numerous contracts across many state agencies, OSA recommends that an appropriate State agency (State Personnel Board, Department of Information Technology Services, Department of Finance and Administration, etc.) negotiate a single rate for services with that vendor which all State agencies have the opportunity to utilize. In analyzing contracts between one vendor and multiple State agencies, OSA noted that not only did pricing vary, but so did the quality and quantity of deliverables. The lack of uniformity amongst agency contracts with a single entity illustrates the potential for improving both efficiency and effectiveness.

Uniform contractual arrangements with deliverables and claw back features (for poor performance) and incentives for superior performance are all essential to protecting the taxpayers' investment in the programs provided by Mississippi state government and in containing costs. Mississippi State government does not currently mandate such characteristics for all contracts. For example, professional services are rarely competitively bid.



OSA recommends that more efforts be undertaken to streamline state contract efforts. Consolidated contracts for similar services for all agencies, more competitive requirements, more performance requirements, and the addition in state government of more trained contract review specialists are all ways that state government can improve its contracting capabilities.

Requiring the same types of reductions made in this brief related to non-State agency entities that receive State funds will also add to the overall cost savings. Such potential additional savings are not part of this brief. Temporarily prohibiting these entities from using State funds for certain types of non-essential expenditures will save a significant amount of money for the State, as well.

### Other Recommendations

In addition to contractual services savings there are numerous other cost savings measures that are either long- or short-term. Some of these include selling unused State property and buildings. Not only will this cut maintenance and other State costs, if sold to the private sector, such sales will guarantee local property tax revenue generation.

Establishing a State agency grants coordinator in the Governor's office to improve the State's efficiency and effectiveness related to maximizing available federal dollars will provide millions of federal dollars in federal grant money to offset State dollars.

Consolidating certain administrative services and purchasing operations could save the state millions each year.

There are numerous ways to achieve greater travel related savings. For example, requiring early travel purchases, allowing no changes to schedules (except during emergencies), and requiring travel agent costs be compared to online prices for hotels and transportation can also save millions per year. Also, eliminating non-essential travel and reviewing agency travel policies and procedures can reduce costs without cutting essential services. Utilizing phone conferencing, webinars, and other similar technology to save travel dollars will have a tremendous impact on cost savings.

Freezing non-essential purchases, placing moratoriums on such non-essential expenditures as redecoration, moving offices, and purchasing unnecessary office furniture are just a few examples of additional ways to save money.

Consolidating IT/IS purchasing and development for the State, can also reduce costs in the short-term.

Finally, changes to certain education related laws could save many millions.

### Conclusion

This brief has only examined and recommended cuts and reductions to the SAAS expenditure category of "contractual services." This paper did not address the many other categories that make up the remaining expenditures of the State budget.

However, the savings of almost \$97 million contemplated in this brief will not be possible, if

- numerous exemptions are made to certain State agencies;
- cuts are made "across-the-board" and not based on usage and potential savings;
- cuts are less than recommended; or
- cuts to certain areas are not made.

If additional or larger cuts are contemplated, then the savings may be greater. However, caution should be used in ensuring that any cuts and reductions are based on sound principles that protect essential/required services to taxpayers and do not reduce the effectiveness of programs and services. Additionally, because there are many other areas of State expenditures that are not discussed in this brief that bear examination for ways to reduce costs, this should be a beginning and not an end to the discussion of ways to maintain the services and performance that our citizens expect.

To maintain productivity and reduce State government's excess costs, the Legislature should require a comprehensive review of expenditure areas. Emphasis should be placed on maintaining service levels and eliminating non-essential expenditures, at least temporarily. Cutting appropriations may not be politically popular, but it is more honest than forcing across-the-board cuts on State agencies, some of which are currently operating at or below the "poverty" level—that is, an agency stripped to the "bare bones operations" where such cuts actually impact productivity and quality of service to the public.

Rewarding cost saving (efficiency) measures that maintain effective service to the taxpayers begins to change the culture and mindset of government that can result in long-term effective budget management and service provision.

In conclusion, even though this brief focuses on one expenditure category of State government agencies, the principles involved—review, evaluation, elimination, and/or reduction of non-essential expenditures—applies to all areas of State government funding.



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