STATE OF TENNESSEE

Agency Strategic Plans

Executive Branch

Volume 1

Phil Bredesen, Governor

September 2003

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STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285

DAVE GOETZ
COMMISSIONER

September 1, 2003

TO: The Honorable Phil Bredesen, Governor

Members of the 103rd General Assembly

I am pleased to present to you the agency strategic plans for the Executive Branch cabinet agencies. These plans describe how we can effectively and efficiently deliver services to the people of Tennessee, two goals of the Governmental Accountability Act of 2002 that are crucial to maintaining public confidence and trust in government. These are common goals of the Administration and the General Assembly.

The plans are agency plans, developed pursuant to the Accountability Act on a program-by-program basis. The plans provide considerable detail, required by the act, on what services are provided through each of the many programs, how these services are delivered to the people, and how we should measure success.

This document is a first step in implementing the Accountability Act. The act requires that at least three agencies participate in performance-based budgeting in fiscal year 2004-2005 and that those three agencies develop strategic plans to be submitted to you now. In fact, we have designated four agencies – in four separate functional areas of state government – for the first phase of performance-based budgeting. The first four performance-based budget agencies are the departments of Revenue, Safety, Environment and Conservation, and Human Services. The strategic plans for those departments are included in this strategic plan document. The Administration, however, believes that it is important that all cabinet agencies participate in the strategic planning process right away. Therefore, we also are presenting you strategic plans of the other cabinet agencies, along with the plan of the Tennessee Higher Education Commission. The plan for the Division of Mental Retardation is not included in this document.

The agency budget requests submitted to my office this fall will contain the standards and measures that are included in these strategic plans. This information will be useful for budget analysis and may assist in resource allocation decisions. For the first four performance-based agencies, the 2004-2005 Budget that is submitted to the General Assembly next February must contain program performance measures that will be used to assess actual program performance after the close of that fiscal year. I must submit a formal report on 2004-2005 program

performance of the four lead agencies to the Senate and House Finance, Ways and Means committees in time for the performance report to be considered while the 2005 appropriations bill is before the committees. At that time, the Governmental Accountability Commission also must assess that report and comment to the finance committees.

Under the Accountability Act, the performance measures that are submitted with agency budget requests this fall may be adjusted by the Governor during the development of the proposed budget and by the General Assembly during the enactment of the general appropriations act. For the four performance-based budget agencies, the performance measures given legal sanction by the 2004 general appropriations act will be the program measures against which performance is reported.

Our common purpose is to fulfill the important goals outlined in the Accountability Act. The Budget Staff and I look forward to working with the Governor, members of the General Assembly, the Governmental Accountability Commission, and the state agencies as we discuss these plans and agency performance.

Sincerely,

M.D. Goetz, Jr.
Commissioner of Finance and Administration

The Strategic Planning Process

In Tennessee State Government, agency strategic planning is a responsibility of program directors, agency planning and budget staffs, and agency heads throughout state government. Pursuant to law, the agency strategic plans within the Executive Branch are developed under guidelines issued by the Commissioner of Finance and Administration.

Preparation of the consolidated Agency Strategic Plans document for the Executive Branch is the responsibility of the Commissioner of Finance and Administration, who is the State Budget Director.

Within the Department of Finance and Administration, the Division of Budget is responsible for oversight of agency strategic plan development. Preparation, monitoring, and evaluation of strategic plans is a continual process throughout the year. The preceding chart indicates the participants in the planning process and an approximate time schedule.

Function	Participants	Schedule
Preparation of Strategic Plans	Departments and Agencies Budget Division	April May June
Executive Review	Budget Division	July August
Legislative Review	General Assembly	* September-May
Strategic Plan Implementation	Departments and Agencies	July-June
Performance Reporting	Departments and Agencies Commissioner of F&A Governmental Accountability Commission Finance Committees	Following Year January-May
Performance Review	Comptroller of the Treasury	Following Year July-June

*Note: The General Assembly has final approval of all strategic plans, performance measures, and standards through the general appropriations act.

The strategic plans are agency plans, developed pursuant to law on a program-by-program basis. The law directs the Commissioner of Finance and Administration to consolidate the agency plans for transmittal jointly to the Governor and the General Assembly.

The Governmental Accountability Act of 2002 was enacted by Chapter 875 of the Public Acts of 2002 (codified at Tennessee Code Annotated, Title 9, Chapter 4, Part 56, and in some sections of budget law at Part 51).

The Accountability Act requires the phase-in of strategic planning and performance-based budgeting. The law requires that at least three agencies be included in performance-based budgeting in fiscal year 2004-2005 and that all agencies be phased in by fiscal year 2011-2012. Agencies designated for performance-based budgeting must submit a strategic plan in the preceding fiscal year, beginning in fiscal year 2003-2004.

In fact, the Administration is implementing performance-based budgeting in four agencies in fiscal year 2004-2005 and has required all Executive Branch cabinet agencies to submit strategic plans in 2003-2004. The Tennessee Higher Education Commission also has submitted a plan for programs it administers. The first four performance-based agencies are the departments of Revenue, Safety, Environment and Conservation, and Human Services.

Contents of the Plans

The Government Accountability Act requires that agency strategic plans, accompanied by program performance standards and measures, contain at least the following information:

1. statutory and constitutional objectives of the entity;

2. identification of mandated and optional services and the means of providing them;
3. obstacles to meeting objectives and delivering services;
4. means of overcoming obstacles;
5. means of maximizing federal and other non-state sources of revenue;
6. means of avoiding unnecessary costs and expenditures;
7. future challenges and opportunities.

The plans in this document also contain, program-by-program, information about periodic performance data availability throughout the year and about data verification.

Preparation of the Plans

By each April, the staff of the Division of Budget issues guidelines to state agencies regarding the strategic planning process. These guidelines provide direction as to the content and format of strategic plans. The guidelines are based on the requirements of the Governmental Accountability Act.

The deadline for agency completion and transmission of the strategic plans to the Division of Budget is the first of July. During this preparation period, the staff of the Division of Budget meets as needed with agency planning and fiscal personnel to answer questions and provide assistance in developing their strategic plans.

Executive Review of the Plans

The Governmental Accountability Act directs the Commissioner of Finance and Administration to review, revise, and approve strategic plans and program performance standards and measures. (State agencies are directed by the law to include these revised performance standards and measures in the subsequent budget request.)

After the receipt of agency strategic plans, analysts with the Division of Budget begin the process of reviewing the plans, paying particular attention to proposed standards and measures. The Commissioner of Finance and Administration has the responsibility to evaluate the validity, reliability, and appropriateness of each performance measure and standard and how the strategic plan and the performance measures are used in management decision-making and other agency processes.

Following review of the plans by the Division of Budget, recommendations are made to the Commissioner of Finance and Administration regarding content, as well as performance standards and measures. A consensus is sought with the agencies regarding performance standards and measures. After decisions have been finalized, the staff of the Division of Budget prepares the Agency Strategic Plans document for printing. The document must be submitted to the Governor and the General Assembly by September 1.

Legislative Review

The General Assembly has final approval of all strategic plans, performance measures and standards through the general appropriations act.

Beginning in fiscal year 2005-2006, the Commissioner of Finance and Administration must evaluate annually each performance-based agency's compliance with its strategic plan and performance measures and report to the Finance, Ways and Means committees of the Senate and House of Representatives on this subject. The report is to be made at a time that will allow the finance committees to consider the performance report while they are considering the general appropriations bill.

To further assist the General Assembly in review of agency performance, the 2002 public act created the Governmental Accountability Commission. It is comprised of officials who hold office by legislative appointment. They are the Comptroller of the Treasury, who serves as chairman; the Executive Director of the Fiscal Review Committee, vice chairman; and the Director of the Office of Legislative Budget Analysis, who serves as secretary of the commission.

Following the performance report by the Commissioner of Finance and Administration, the Governmental

Accountability Commission is to review the commissioner's report and submit to the finance committees its written comments on the commissioner's report. The Accountability Commission also may make recommendations to the finance committees on the performance of agencies, the reasonableness of performance standards and measures recommended in the budget document for the performance-based agencies, and on other strategic plan and program performance matters.

Strategic Plan Execution

When passage of the appropriations bill is complete and it is signed or enacted into law, the execution of agency strategic plans begins.

Annually, at the time the enacted budget (called the "work program" in budget law) is established, agencies may request adjustments to the performance measures and standards, based on changes in the program appropriations during the enactment of the general appropriations act. These adjustments require the approval of the Commissioner of Finance and Administration, who must maintain the official record of adjustments and must report adjustments to the chairmen of the Senate and House Finance, Ways and Means committees. The law provides that agencies themselves may not change the performance measures.

During the fiscal year, modifications to program performance standards and measures are allowed if an agency is required to modify its operations because of:

1. court action resulting in a restraining order, injunction, consent decree, or final judgement;
2. law or executive order;
3. additional federal or other funding.

All adjustments to performance standards and measures during the year also are subject to approval of the Commissioner of Finance and Administration, who must report the changes to the chairmen of the House and Senate Finance, Ways and Means committees.

Comptroller's Performance Review

Aside from executive and legislative review of agency strategic plans and program performance, the 2002 public act provides that each state agency is subject to performance review of its activities by the Comptroller of the Treasury. This provision grants discretion to the Comptroller to determine the matters to be reviewed, related to the manner in which the state agency is delivering services and achieving objectives. This performance review, according to the law, will at least include consideration of the efficient use of state and federal funds, additional non-state revenue or cost savings that could be achieved, and the extent that strategic plan objectives are achieved.

Connection of Plans and the Budget

The Governmental Accountability Act of 2002 amended budget law to require that performance-based budgeting agencies include in budget requests the program performance standards and measures, as reviewed and revised by the Commissioner of Finance and Administration. These standards and measures are the ones included in this Agency Strategic Plans document for the four performance-based agencies. After budget requests are submitted, the program performance measures, along with other strategic plan and budget request information, will assist staff of the Budget Division in analyzing agency budget requests.

Budget law, as amended by the 2002 Governmental Accountability Act, directs that certain other performance-based budget information be included in agency budget requests. This includes identification of program clients, the purpose of each program or client benefits, program costs and funding sources, fee collections and the adequacy of fees to support the program, assessment of whether each program is conducive to performance-based budgeting,

and assessment of the time needed to develop meaningful performance measures.

In reviewing budget requests and transmitting the budget document to the General Assembly, the Governor, with assistance of the Commissioner of Finance and Administration, may revise, add, or delete performance measures and standards as the Governor deems necessary. The General Assembly retains authority for final approval of performance standards and measures through the general appropriations act.

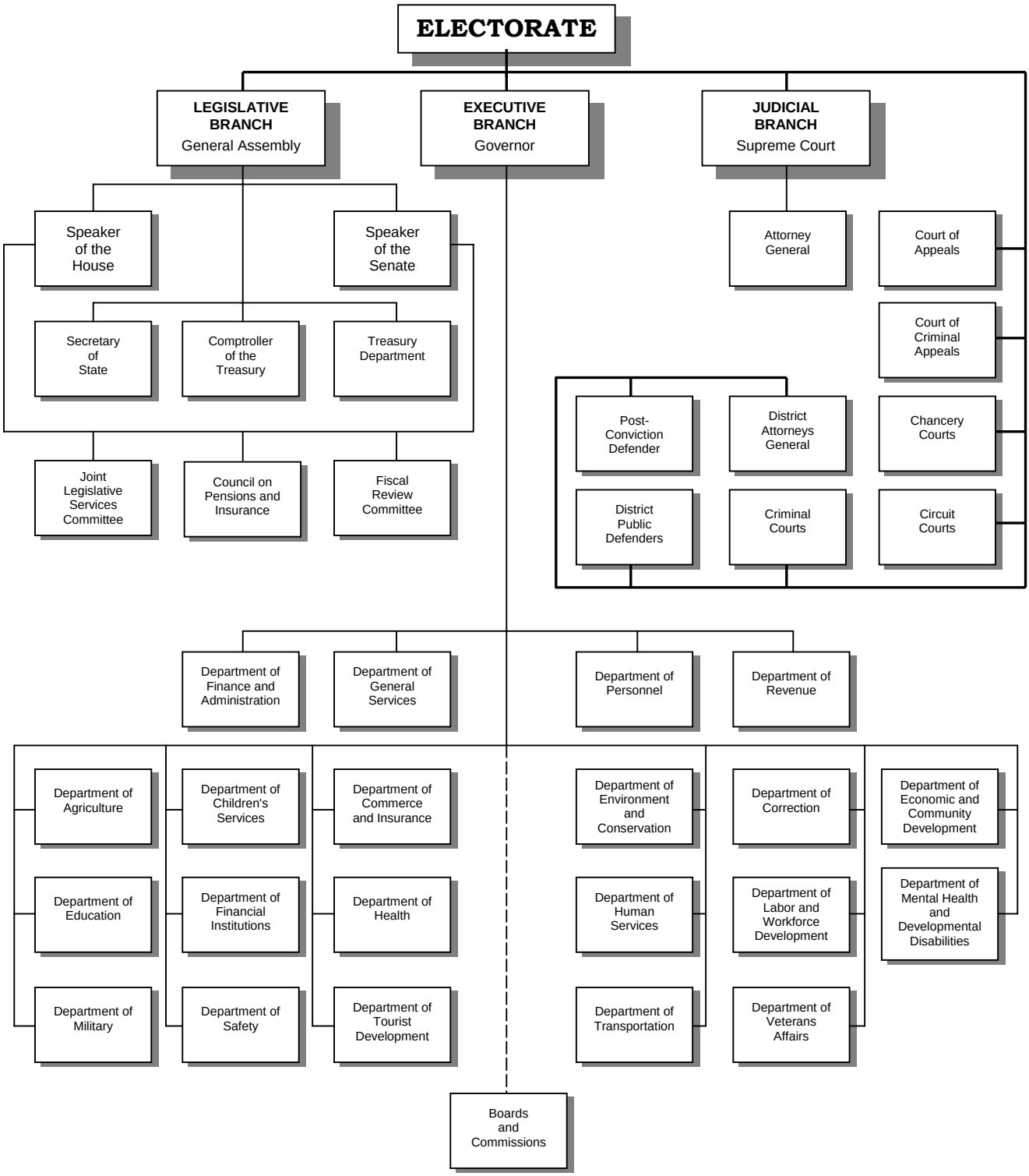
The amended budget law also requires that the budget document transmitted by the Governor to the General Assembly include a performance-based budget for each state agency subject to performance-based budgeting. The performance-based budget must include program statements and performance measures.

The various reviews described above -- executive, legislative, and performance audit -- will utilize both the strategic plan and performance budget information to assess program performance.

Legislative intent to connect planning, budgeting, and accountability is evident in the 2002 Governmental Accountability Act. The General Assembly has stated in law that it intends to use this system in resource allocation decisions and program performance review.

TENNESSEE STATE GOVERNMENT ORGANIZATIONAL CHART

FISCAL YEAR 2003 - 2004



General Government

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Department of Finance and Administration

General Agency Information

The Department of Finance and Administration (F&A) assists the Governor in developing and implementing the administration's fiscal and managerial policies. The Commissioner of Finance and Administration serves as the Governor's chief cabinet officer and directs the department's specific responsibilities. These responsibilities involve the coordination of a number of state government activities that are provided through administrative services, fiscal and management services, and capital and facilities management services. Finance and Administration contains the following programs to administer its functions.

1. Division of Administration
2. Office of Information Resources
3. Insurance Administration
4. Criminal Justice Programs
5. Resource Development and Support
6. National and Community Service
7. Division of Budget
8. Division of Accounts
9. Capital Projects and Real Property Management

Administrative Services

317.01 Division of Administration

The Division of Administration includes the Commissioner's Office, General Counsel and all administrative support for the department. The administrative support includes the fiscal office, human resources, information systems, billing services and internal audit.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1001 through 1012 creates the Department and its Divisions. While there are numerous responsibilities of the Commissioner of Finance and Administration cited throughout the law, the administrative support for the Department is mainly governed by the rules, policy and procedures of the Departments of Finance and Administration, Personnel, General Services and other areas of state government.

Mandated and Optional Services and Means of Providing Them

The main responsibilities in the administrative support areas are:

Process all payroll and personnel transactions in compliance with the state and the federal government's laws, rules, regulations, policy and procedures.

The human resource section is the central processing point of all payroll and personnel activity in the department. Although customer service is the focus for activity in this section, compliance with all mandates and consistency within the Department is also imperative. This is accomplished through training of key staff in all divisions on the proper processing of activities and central review of all transactions in the human resource office.

Processes all financial transactions in compliance with the state and the federal government's laws, rules, regulations, policy and procedures and follow General Accepted Accounting Principles (GAAP).

Financial transactions are generated from several areas of the Division. Procurement, accounts payable, accounts receivable and payroll all generate financial transactions. Each area has dedicated staff to handle approximately 4,000 procurement transactions, 28,000 invoices, $167 million of inter-departmental billings and $45 million of payroll activity.

Additional services are provided in the area of system support (desktop, application maintenance and development), records, publications and forms management and inventory control.

Over 800 desktop systems are maintained by the desktop support group and major applications maintained include payroll, data capture, accounting and insurance systems. System development is occurring in the areas of data warehousing, travel claim, building maintenance tracking and capital projects management.

Performance Standards

1. Process 99% of all payroll accurately.
2. Process 93% of all payments in less than 45 days as required by the Prompt Payment Act.
3. Deposit 98% of all funds collected within 24 hours of receipt.
4. Total administrative cost (317.01) should not exceed 5%.

Performance Measures

1. Percentage of payroll issued correctly.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
99.5%	99%	99%

2. Percentage of payments made within 45 days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
88%	91%	93%

3. Percentage of funds deposited within 24 hours of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
99%	98%	98%

4. Administrative cost (317.01) as a percentage of total F&A Budget.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
4.8%	4.9%	Less than 5%

Obstacles to Meeting Objectives and Delivering Services

Personnel transactions, payments and deposits are in many cases dependent on the timeliness of actions by the divisions. Personnel actions must be requested timely, invoices for goods must be received, and in many cases checks for deposit are sent directly to the divisions. Delays in any of the steps can negatively impact processing time.

Objective 1 and 2 are contingent on the timely processing by the Department of Personnel and F&A- Division of Accounts. Delays by either Department can negatively impact the completion of the transaction.

Administration does not staff for peak periods, so a large volume in any of these areas can negatively increase processing time.

Means of Overcoming Obstacles

Timeliness is monitored in each of these areas. Invoices are normally "Bill To" the fiscal office. If receipt or other action is missing, a follow up is made with the appropriate Division. Personnel/payroll transactions are logged and monitored. If there is pending action that impacting the timeliness of the transaction, a follow up is made. Deposits are monitored as they are processed for timeliness.

Peaks in volume are addressed by cross training all staff to handle all types of activity and using overtime if absolutely necessary. Administration works closely with the other F&A programs to determine activity that will cause a short-term peak in volume and explore ways to minimize the impact.

Means of Maximizing Federal and Other Non-State Sources of Revenue

F&A's philosophy has been to bill user agencies for service as much as possible (inter-departmental revenue). This philosophy is true for services that are provided internally to other Divisions of F&A and externally to other state agencies by any Division of F&A.

Monthly billings for services allows expenditures to be reflected in the program area that benefits and allows for the immediate draw down of federal or other funds.

Means of Avoiding Unnecessary Costs and Expenditures

The budget structure is set up so that each Division budgets and is billed for services provided internally by the administrative support group. This provides accountability regarding the actual dollars expended for internal administrative support of the programs of F&A.

The following activities occur to provide feedback on compliance with existing regulations as well as challenge the appropriateness of expenditures:

Financial Integrity Review as required by law
Bi-annual audit by the Comptroller
Legislative Review (Fiscal Review, budget hearings and other committees)
Post audit of financial transactions by the Division of Accounts
An experienced, competent senior management staff
Internal Audit
Peer/industry comparisons of cost/rates.

Future Challenges and Opportunities

Most of the administrative activities of the Department and the state operate on aging software applications (i.e. payroll, personnel, procurement, accounting, insurance, etc.). As the state explores long-term options and develops an implementation plan, the replacement of these systems will change the way business is done. This will impact the Division's fiscal, personnel and systems staff in a dramatic way. A flexible, committed workforce will ease the transition.

Performance Data Schedule

Performance Data will be reported monthly 30 days after month-end.

Data Verification

The Department will develop by September 30, 2003 a verification approach using the Internal Audit section of the department. Appropriate sampling techniques will be used for data verification.

317.03 Office of Information Resources

The Office of Information Resources (OIR) is responsible for the Information Technology (IT) services used by state agencies and employees. OIR has a $137 million budget authority for provision of these services, the costs for which are charged to state agencies according to a rate schedule established annually. OIR provides for statewide data and voice networks that operate in all 95 counties, provides IT Training, Project Management, and Security services, manages the state's web site, and operates a Data Center that houses agency computer applications and storage of over six trillion bytes of data.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-55 mandates the Information Systems Council (ISC) to develop policy guidelines for the overall management of the state's information systems and to periodically review the overall effectiveness and efficiency with which the state's information systems network is managed.

The Office of Information Resources serves as the staff to the ISC (TCA 4-3-5503). In addition, OIR facilitates the use of information systems, provides technical direction and assistance to departments and agencies for all distributive processing and network related systems, and serves as a computer services bureau.

Many of the duties and responsibilities of the ISC (TCA 4-3-5502) as well as the policymaking authority (TCA 4-3-5504) are conducted by the Office of Information Resources.

OIR is also responsible (TCA 71-5-192) for the development, management, and assessment of TennCare's Information Management System (TennCare TCMIS).

Mandated and Optional Services and Means of Providing Them

The TCA mandates that OIR provide Information Technology (IT) services and direction to the departments and agencies of state government. As identified in statute, OIR's responsibilities fall into four major areas: facilitate the use of information systems, provide technical direction and assistance to departments and agencies, serve as a computer service bureau, and provide oversight over development of a comprehensive, integrated information system for TennCare. These areas are described in more detail below.

Facilitate the use of information systems. OIR manages the procurement and contract oversight of statewide Information Technology contracts such as PC and server purchases, software licenses, technical contractors, and network services. Business and Technical Consulting is provided to agencies to facilitate all phases of a project including software development or purchases, installations, implementations, and all aspects of hardware configuration needs. Information Technology Security Planning ensures that the state as a whole is properly protecting its IT infrastructure and the state's investment in IT resources.

Technical Direction and Assistance. OIR is responsible for advising the Information Systems Council on IT policy matters, and establishing the state's Architecture and Standards that guide the design of the IT infrastructure and ensure IT investments fit into the infrastructure and are cost-effective. OIR is responsible for the execution of Information Technology (IT) Planning at strategic, OIR, and agency levels through a structured annual process with ongoing review of IT projects. Program Management Services provide tools and expert resources to deliver large scale IT projects on time and within budget. OIR operates IS College for Information Systems training and CyberAcademy for IT security training services to state departments and agencies.

Computer Service Bureau. OIR's responsibility for providing Information Technology services involves a number of operations in computing, application development, networking, and security. OIR is responsible for providing agencies with secure connectivity delivered 24 hours per day, 7 days per week. The data center hosts Enterprise computer servers at the core of the

state's IT infrastructure, as well as shared and co-located servers running agency applications. OIR manages the statewide network infrastructure that provides connectivity to state and Internet resources. System Development and Support Services provide for the development and operation of agency software applications. Security Services and the Network Operations and Security Center (NOSC) provide the security foundation for the state and offer 24 hour a day help desk support for all IT services.

Development of a comprehensive, integrated information management system for TennCare on a timely basis. OIR is to establish contracts as needed for the development of a system and report regularly on the progress of that development to state authorities such as the Information Systems Council and the Fiscal Review Committee.

Performance Standards

1. No contract lapses between the expiration of the old contract and the beginning of the new contract period.
2. Planned budgets and schedules for Infrastructure projects above $500,000 do not exceed approved levels.
3. Availability of network and mainframe systems meets or exceeds industry standards on key infrastructure systems delivered.
4. Audit control over telecommunications billings will be superior to industry standards.
5. A comprehensive, integrated information management system will be operational for the Bureau of TennCare on or before January 1, 2004.

Performance Measures

1. Percentage of OIR contracts that were re-bid, awarded, and executed prior to the expiration date.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
80%	90%	100%

2. Percentage of Infrastructure projects meeting approved schedules or budgets.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	50%	56%

3 a. Mainframe system availability for key infrastructure systems (Industry Standard 98%).

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
98%	98.5%	98.5%

b. State Network availability as measured at Network Access Points (NAP) (Industry Standard 99.5%)

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	99%	99.7%

4. Unresolved invoice audit exceptions for telecommunications billings will be 0.75%.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0.55%	0.65%	0.75%

5. Number of days after January 1, 2004 TennCare information system project complete.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Applicable	0 Days	Not Applicable

Obstacles to Meeting Objectives and Delivering Services

The procurement process has multiple reviews and approvals, as well as milestones that vendors must meet; all of which require careful planning in order to meet target timeframes.

Agency and OIR staff may lack training and resources to develop complete and comprehensive project information.

Security incidents, such as a denial of service attack, can hamper the program's ability to provide service or affect the availability of systems.

Security patches must be applied to all servers on the network. While OIR enables security patching statewide by testing and making available appropriate patches, OIR cannot apply patches to those servers managed by other entities.

Ensuring adequate vendor performance is often laden with complexities.

Means of Overcoming Obstacles

OIR will start development of new Request for Proposals (RFP) and Invitation to Bid (ITB) documents earlier, building review time into the project plan. The program will work earlier with appropriate entities outside OIR such as General Services and the Comptroller's Office to establish procurement target dates for preparation, reviews and approvals.

OIR trains personnel involved in the planning process and has Project Managers understand their role in monitoring the project plan.

Establishing more project preplanning will improve the definition of the scope and impact of projects. Refining the process for reviewing the security level of all servers will result in better adherence to state server security standards.

The security web site and the communication of the availability of security patches will be improved.

Increased protection from security threats will be achieved through the use of intrusion detection, security monitoring in the Network Operations and Security Center (NOSC), and the establishment of a Security Incident Response Team (SIRT) to quickly mitigate the damage from security incidents.

Vigilance in TennCare Management Information System (TCMIS) program management (i.e. OIR Project Management Team) and active participation of the Steering Committee and General Counsel will improve the performance of vendors.

Means of Maximizing Federal and Other Non-State Sources of Revenue

OIR bills state agencies for services according to a rate schedule established annually. OIR actively assists the agency in drawing down federal funds where possible, such as current involvement with TennCare Management Information System (TCMIS) and the federal Centers for Medicare and Medicaid Services (CMS) to quickly create a complete monthly submission acceptable under the weekly TCMIS Steering Committee.

Means of Avoiding Unnecessary Costs and Expenditures

OIR has implemented a new quarterly review against its internal software development shop to ensure that the percentage of individual programmers' utilization by customer agencies meets or exceeds industry standards.

As OIR reviews proposed IT projects, opportunities for leveraging funding sources will be identified and communicated to agencies and to the Budget Office.

Future Challenges and Opportunities

IT management and project management resources are constrained by an increasing number of development projects. Businesses, citizens, and other governments expect more state government services to be delivered online and on a 24 hour a day basis. OIR security and infrastructure support resources are constrained by new complexities in maintaining systems and the network. Networks are under increasing challenges from unwanted email (spam) and attacks on the infrastructure, requiring the state to show increased vigilance in protecting IT resources. Expert resources needed to design and maintain an IT infrastructure capable of meeting these challenges can be difficult to secure.

Performance Data Schedule

OIR will publish performance data, updated quarterly, on the state Intranet. Updates will be October 15, January 15, April 15, and July 15. Data will be accessible via a link from the OIR Intranet home page: intranet.state.tn.us/finance/oir/

Data Verification

OIR maintains the history of Infrastructure Project Proposals, Cost-Benefit Analysis, and Project Status Reports, as well as procurement, contract milestones, infrastructure network, and data center performance measures. These data are recorded, stored, and backed up electronically and are available for review.

317.04 Insurance Administration

The Division of Insurance Administration administers the state sponsored insurance benefits directed by the State, Local Education and Local Government Insurance Committees. The Committees are granted broad authorization to establish basic and optional coverage for participating employees.

The two most significant activities are operating the Tennessee Insurance System, the program's eligibility, enrollment and premium collection tool, and accounting for financial transactions associated with the State Plan, the Local Education Plan, the Local Government Plan and the Retirees Medicare Supplement Plan. The Division also focuses time and effort on large scale, multi-year procurements and the monitoring of contractor and Plan performance, the promotion of employee assistance and wellness activities, the maintenance of specific activities related to plan governance and integrity, and the provision of timely information to plan members and officials responsible for plan management.

Statutory and Constitutional Objectives

The Tennessee Code Annotated (TCA) authorizes four distinct state sponsored insurance programs:

TCA 8-27 parts 1 and 2 mandate a State Plan for state employees.

TCA 8-27 part 3 establishes the Local Education Plan for employees of local education agencies electing to participate in the Plan; currently 122 school districts participate.

TCA 8-27-207 establishes the Local Government Plan for employees of municipalities and counties and qualified quasi-governmental entities; currently over 350 entities participate.

TCA 8-27 part 7 authorizes the Retiree Medicare Supplement Plan for qualified retired public sector employees who qualify for Medicare by virtue of age.

Financial transactions for each of the plans are recorded in separate funds and the financing of each of the plans is discrete.

Mandated and Optional Services

The State, Local Education and Local Government Plan are each authorized to offer a basic plan (healthcare) and such optional plans as the respective governing board (Insurance Committee) authorizes. The State Plan offers additional lines of coverage, as the plan sponsor is also the employer in the instance of state employees.

Each plan offers identical healthcare benefit provisions through single administrative contracts for each of the three options (PPO, POS and HMO). All healthcare options are self-insured. A fully insured dental plan is available through the State, Local Education and Local Government Plans. For state employees, the coverage also includes basic term life and accidental death and

dismemberment insurance, optional term and universal life insurance, optional accidental death and dismemberment and optional long term care insurance.

Performance Standards

1. In order to minimize plan administrative cost, maintain Division of Insurance spending at a level no greater than one half of one percent of combined plan expenses.
2. Conduct scheduled operating activities relating to eligibility, enrollment, plan selection, employee assistance and wellness promotion and plan financing in a timely manner.
3. Prepare and promote health benefits determinations and premium recommendations which result in annual financial results where expenses do not exceed income by more than 3% for more than two years in a row.

Performance Measures

1. On a calendar year basis compare division budget to plan expenses.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0.50%	0.43%	0.38%

2. Determine how frequently operational activity begins and ends on time.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

3. Compare combined expenses and income of each plan to determine level of accuracy.

   a. State Plan

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
-1.31%	4.10%	2%

   b. Local Education Plan

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
3.66%	2.51%	2.62%

   c. Local Government Plan

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
-8.03%	-0.19	4.78%

Obstacles to Meeting Objectives

Obstacles include the inability to accurately predict benefit costs in the future, to assess the impact of changing plan membership on benefit costs (particularly for the Local Government Plan) and the conflicting policy objectives among members of governing boards.

The small number of authorized positions and the required specialization makes addressing personnel changes due to transfers, promotions, retirements or extended leave challenging.

External entities, such as the legislature, the federal government, and contractors and healthcare providers, may impose changes in regulatory or business climate and subsequently impact operations.

Insurance Administration must face processing and operational limitations of existing eligibility, the enrollment and premium collection system, the Tennessee Insurance System (TIS), and the inability of the Department to upgrade its design, architecture and capability.

Means of Overcoming Obstacles

By examining the process for preparing estimates of plan costs and develop and implement improved methodologies, and by seeking advise from a consultant on methods to improve technique and results, the Division of Insurance Administration may be able to more accurately predict future costs.

Insurance Administration will take active steps to reduce turnover and enhance the workplace by displaying appreciation for employee contributions.

The program will monitor activities of other parts of state and federal government and provide input as appropriate. This Division will develop partnerships with contractors while promoting the opportunity for competition.

Insurance Administration will continue to advocate specific steps to improve the capability of the Tennessee Insurance System and provide the financial, staffing and managerial resources to complete the upgrade activity.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Funds for the operation of the Division of Insurance Administration are provided through transfers from the insurance funds based upon enrollment and from Flexible Benefit Savings (specifically to support the wellness program). The mix of contributions that serve as premium amounts maximizes revenues from all other sources. No state appropriations are directly involved in paying for Division Administrative expenses.

Additionally, the Division vigorously applies performance standards and the provisions of risk sharing arrangements, both of which are established through service contracts.

Means of Avoiding Unnecessary Costs and Expenditures

Unnecessary costs are minimized through the use of electronic communication and transfer of documents and through the consistent analysis of expenditures and the preparation of a reasonable budget.

Future Challenges and Opportunities

Increasing healthcare costs for both programs and employees in a public sector environment will complicate the process of insuring employees.

An aging workforce and continuing coverage by retirees' place an additional challenge for the program as costs continue to increase.

A reduction of competition in procurement activities and the increasing resistance to the provision of risk sharing agreements on the part of plan administrators will be a challenge for the Insurance program.

The federal Health Insurance Portability and Accountability Act (HIPAA) contains privacy, security and data transmission requirements that the program will have to address.

Performance Data Schedule

Data will be collected and reported to the insurance committees quarterly. Similarly, annual performance data will be submitted with annual budget requests.

Data Verification

The information employed to assess and validate compliance measures is derived from separate, unrelated sources. The Division's budget is set on a fiscal year basis while the benefit payments made by the state sponsored plans are executed by a contractor and subsequently reported to the Division.

Execution of major program activities is scheduled on a calendar year basis and the completion is easily verified by plan management and plan participants.

Finally, assessing actual financial results – when measured through the comparison of the level of expenditures which was anticipated versus what occurred – are fairly straightforward reviews. Plan premiums are established based upon estimates of plan benefit payments and other expenses that are prepared six months prior to the beginning of the plan year. The results, based upon actual expenditures are available through contractor reporting and a review of expenditures through the state's bank accounts. This activity is normally complete within two weeks of the end of the measurement year.

317.06 Criminal Justice Programs

The Office of Criminal Justice Programs (OCJP) supports a safe Tennessee for all citizens. OCJP is the Tennessee criminal justice strategic planning agency that secures, distributes, manages and evaluates federal and state grant funds for criminal justice programming. While collaborating with other governmental and non-profit agencies, OCJP utilizes these grant dollars to support innovative, successful projects statewide that reduce criminal activity, provide services for victims of crime and promote overall improvement of the criminal justice system in Tennessee.

Statutory and Constitutional Objectives

Title I of the federal Omnibus Crime Control and Safe Street Act of 1968, 42 U.S.C. 3711 et seq. as amended provides for the Edward Byrne State and Local Law Enforcement Memorial Grant to all states based on population and uniform crime statistics and establishes 26 purpose areas that define the nature and scope of programs and projects that might be funded under it.

The federal Victims of Crime Act of 1984 (VOCA), as amended, Public Law 98-473, Chapter XIV, 42 U.S.C. 10601, Section 1402, Section 1404 which establishes the Victims of Crime Act Grant to all states for the development, implementation and maintenance of services to victims of crime.

Title III of the federal Child Abuse Amendments of 1984 (Pub. L. 98-457, 42 U.S.C. 10401) entitled the "Family Violence Prevention and Services Act." The purpose of this legislation is to assist States in supporting the establishment, maintenance, and expansion of programs and projects to prevent incidents of family violence and to provide immediate shelter and related assistance for victims of family violence and their dependents.

The federal Violent Crime Control and Law Enforcement Act of 1994, (Public Law 104-322, 32101, 42 U.S.C. 3796ff) establishes the Residential Substance Abuse for State Prisoners Grant for all states to support substance abuse treatment for offenders leaving incarceration.

The federal Violence Against Women Act, set out in Title IV of the Violent Crime Control and Law Enforcement Act of 1994, Pub. L. 103-322, 108 Stat, 1796, which assists states in developing and strengthening effective law enforcement and prosecution strategies to combat violent crimes against women and to develop and strengthen victim services in cases involving crimes against women.

The Crime Identification Technology Act of 1998 (CITA), Pub. L. No. 105-251, 112 Stat 1871 (1998) codified at 42 U.S.C. Section 14601 establishes a criminal history records grants management program for all states to support the U.S. Department of Justice efforts to automate criminal justice records across the country.

Federal Fiscal Year, Department of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act (Pub. L. No. 107-77) provides funds to states and units of local government to develop and maintain projects to reduce crime and improve public safety.

Tennessee Code Annotated (TCA) 71-6-201 through 203 establishes funding for family violence shelters and shelter services for victims of domestic violence.

The Safe Neighborhoods Act of 1998 (TCA 38-8-115) establishes a program to award state law enforcement assistance grants to local governmental agencies in meeting the local funding requirements necessary to receive a grant under the federal Violent Crime Control and Law Enforcement Act of 1994 for a portion of the costs associated with the employment of new law enforcement officers by local government.

TCA 67-4-602(g) establishes a program to award state and local law enforcement financial assistance generated by a criminal court fine for the purchase, installation and maintenance of automatic fingerprint equipment and line charges associated with this equipment.

OCJP ensures its compliance with all federal statutes, regulations, policies, guidelines and requirements, including OMB Circulars No. A-21, A-110, A-122, A-128, A-87; Federal Executive Order 12372 and Uniform Administrative Requirements for Grants and Cooperative Agreements 28 CFR, Part 66; and use of federal funds for federally assisted projects.

Mandated and Optional Services and Means of Providing Them

Federal and state laws, rules, regulations and policies mandate that federal and state grant dollars be distributed to eligible entities/sub-recipients for specific purposes to achieve certain results. OCJP is responsible for ensuring these two mandates. Through adherence to these mandates, OCJP applies for available federal formula based dollars, distributes them to appropriate sub-recipients and manages and evaluates the sub-recipient use of the dollars for projects that reduce criminal activity, provide services for victims of crime and promote overall improvement of the criminal justice system in Tennessee. Evaluation of sub-recipient project efforts is mandated to ensure their use of federal/state dollars is cost-effective, efficient and results driven.

Through the use of technology and a small professional services contract with an evaluation consulting company, OCJP is able to distribute, manage and evaluate over 450 grant awards each year. These grant awards total approximately $30,000,000.

Performance Standards

1. The Office of Criminal Justice Programs will operate with no more than 7% administrative fund costs for the grants it administers.

Performance Measures

1. Operate with no more than 7% administrative fund costs for the grants administered.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
8%	8%	7%

Obstacles to Meeting Objectives and Delivering Services

Proposed federal reduction of benefits in several grants will make expanding and maintaining the existing level of victim service projects difficult. Additionally, proposed federal elimination of one major criminal justice grant could make managing and expanding this project area impossible.

Means of Overcoming Obstacles

OCJP will attempt to overcome these obstacles by securing additional federal grants. It is possible that a new federal grant (with reduced funding) will replace the proposed elimination of the criminal justice grant in question. If so, this will help to offset the loss. Additionally OCJP will attempt to secure more discretionary or competitive grants.

Means of Maximizing Federal and Other Non-State Sources of Revenue

OCJP will continue to apply for appropriate discretionary and competitive grants from the federal government. Additionally OCJP will consider increasing local match requirements from sub-recipient agencies as a way to encourage more non-federal involvement (local) and support and continue current projects at current funding levels.

Means of Avoiding Unnecessary Costs and Expenditures

Use of automated grants management database allows optimum work output by unit. Automated grants development allows OCJP program mangers to spend more time providing technical assistance to agencies experiencing problems.

Partnerships with other criminal justice agencies allow OCJP to take advantage of cost-free training space and meeting space.

The use of graduate school interns as part-time program managers helps alleviate workload demands.

OCJP takes advantage of free, Department of Justice technical assistance in several program development areas (drug courts, victim services).

OCJP follows standard state salary, procurement and travel regulations to help maintain low costs.

OCJP contracts with the F&A Office of Program Accountability and Review for fiscal and program monitoring of all OCJP grant subrecipients.

Future Challenges and Opportunities

OCJP will continue to advocate for the criminal justice system in Tennessee. New funding opportunities to increase project results will continue to be sought. Legislative, judicial and executive branch support for criminal justice programming and funding will be pursued for programming that reduces costs or achieves system efficiencies. OCJP plans to pursue an electronic grant application process. The development of a single database for administering current grants for use by OCJP program managers, as well as the fiscal staff in the Department of Finance and Administration, will also be sought. The expansion of the use of drug courts will require more coordination and grant administration responsibilities for OCJP.

OCJP will expand the child advocacy centers and the drug court offices across the state. Five additional child advocacy centers and five additional drug court offices will provide better services and is hoped to be in place by 2005.

Performance Data Schedule

OCJP releases data reflecting the number of grant projects funded for victims of crime annually in the second quarter of the state fiscal year as well as the grantees that are required to complete the logic-model outcomes analysis. OCJP prepares a Statewide (Byrne) Strategy for Drug

Control, Violence Prevention and Criminal Justice System Improvement every four years. The U.S. Department of Justice (Bureau of Justice Administration) also requires an annual Strategy Update to report changes the state's strategy, if any is planned. Through this, OCJP identifies the number of opportunities for criminal justice collaboration in Tennessee.

Data Verification

The OCJP database and required statistical performance reports from subrecipients are the primary sources of data used by OCJP to track performance. These data sources are reliable and subject to review from a variety of oversight mechanisms. All data is reviewed as part of the standard Office of Program Accountability Review (PAR) risk-based monitoring program. Sign-in sheets, agendas and participant evaluation document training participation.

317.07 Resource Development and Support

Resource Development and Support is comprised of two core functions: The Office of Program Accountability Review (PAR) and the Office of Contracts Review (OCR).

PAR carries out the requirements of Department of Finance and Administration's *Policy 22, Subrecipient Monitoring*. This includes providing grant monitoring services to state agencies and departments for determining subrecipient compliance with requirements of state and federal programs, applicable laws and regulations and stated results and outcomes. Reviews ascertain if internal control over financial management and accounting systems are adequate to account for program funds in accordance with state and federal requirements. PAR also manages subrecipient reporting requirements through implementation and oversight of Finance and Administration, Policy 03, *Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies*. PAR has 70 employees in offices in Nashville, Knoxville, Chattanooga, Jackson and Memphis.

OCR administers the state's Rules for Personal Service, Professional Service, and Consultant Service Contracts. This duty and F&A's statutory service procurement responsibilities have established OCR as Tennessee's central oversight agency for the state's decentralized service procurement and contracting processes. In this role, OCR offers both direction and support as well as approval reviews. Additionally, OCR provides support within the Department of Finance and Administration regarding a number of general procurement responsibilities.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 12-4-109(d) directs Program Accountability Review to develop contracting terms for the monitoring of grants and subrecipient relationships. The regulations for monitoring require the filing of the monitoring plan.

TCA 12-4-112 requires PAR to ensure that subrecipient grantees adhere to the terms of the grant contract, generally accepted accounting principles, sound business practices, and state and federal regulations regarding the fiscal policies of nonprofit organizations.

F&A Policy 22, Subrecipient Monitoring requires the monitoring of subrecipients that receive state or federal funds from state departments, agencies and commissions. This establishes a coordinated and centralized monitoring system that defines subrecipient monitoring and the required core monitoring areas; ensures monitoring of all subrecipients; eliminates duplication of monitoring efforts; and ensures that the programmatic intent of state and federal grant programs are being delivered effectively, efficiently and with proper financial accountability.

Policy Statement 03 establishes uniform reporting requirements for subrecipients. The policy also calls for development of an efficient cost allocation plan and methods of cost determination under the supervision of the cognizant agency, as determined by PAR. Statewide cognizant agency assignments are developed and shared with state agencies biennially.

TCA 12-4-109 through 110 and 12-4-119 mandate duties carried out by the Office of Contracts Review (OCR). This includes responsibility for administering the state's rules governing personal service, professional service, and consultant service contracts, as well as other initiatives related to procurement and outsourcing. OCR reviews and approves, on behalf of the F&A Commissioner, the procurement method and actual service contracts requested by Executive Branch agencies.

In the context of assuring agencies use the approved standard state contract language, OCR also has responsibility for regulating unauthorized contracts (TCA 12-3-105), conflicts of interest (TCA 12-3-106), and confidential records (TCA 10-7-504).

Mandated and Optional Services and Means of Providing Them

Mandated Services provided by PAR.

In accepting federal grants as a pass-through entity, the federal government requires the state to monitor the activities of the grant subrecipients to provide reasonable assurance that the subrecipient administers the awards in compliance with requirements. The Federal Office of Management and Budget has issued Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), Circular A-110 (Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations), Circular A-122 (Cost Principles for Non-Profit Organizations) and Circular A-102 (Grants Management Common Rule) which defines specific monitoring and auditing functions and methodologies states must perform relative to their subrecipients.

Optional Services provided by PAR.

Prior to the development of PAR, monitoring activities were carried out by the state agency, or agencies, with which the subrecipient had a contractual relationship. Given that many subrecipients receive funds from more than one state source, this decentralization often created a duplication of effort through multiple reviews of the same subrecipient by several state entities. The monitoring activities of the various state agencies also varied widely. There were no uniform core areas. Some programs were not monitored at all, while others were performing monitoring functions by the same personnel closely involved with program administration. This put into question the ability to conduct an independent review of the subrecipient's compliance. Centralizing the monitoring effort serves to eliminate or mitigate these problems.

Mandated Services Provided by OCR.

OCR reviews and approves both service procurement processes and contracts on behalf of the F&A Commissioner. These mandated approval reviews ensure compliance with state law's and regulations, good business practices, fair competition, sound financial management, proper accounting and financial reporting, and conformity with state budgetary priorities.

Optional Services provided by OCR.

The State Service Contracting Instruction Manual is an Internet-based, compilation of resources and information to guide and direct all state staff buying professional services and drafting professional service contracts.

OCR maintains a Consulting Service to work closely with and assist other state staff buy the best service at that best price by ongoing consultations with all state staff. OCR staff consults with all state agencies to properly select contractors and write contracts that achieve state goals and protect taxpayer's interests. OCR provides guidance, models, advice, and practical help to state agency staff with service procurement responsibilities. In addition to consulting with other state agencies, OCR staff assist the F&A Commissioner with responsibilities related to the Board of Standards (Department of General Services procurements) as well as any procurement-related task force or study group of the executive branch or the General Assembly.

OCR's Management Information service contracting review process ensures contracts are processed properly. The tracking system allows the optional service in which OCR collects state service contracting data (data that is not comprehensively available anywhere else in state government). OCR provides optional services in its analysis, information, and support for the state's procurement processes and service contracting as well as information related to contracting such as federal Title VI and Title IX statistics.

OCR administers the internet-based Service Provider Registry designed to support competition and provide disadvantaged, minority, and small business entrepreneurs and non-profit organizations with increased opportunity to compete for business with the state. This is an optional service although it enables the collection of management information that is crucial to federal and state Title VI requirements.

Performance Standards

1. Annual Report of monitoring activities of all subrecipients is issued to the Commissioner of Finance and Administration and the Comptroller of the Treasury by November 30th of each year.
2. Monitoring reports are issued within 18 days of completion of fieldwork.
3. Average days to complete OCR review of approved contracts is three days or less.
4. Average days to complete OCR review of requests for proposals (RFP) of approved contracts is five days or less.

Performance Measures

1. Days after November 30th the Annual Report of monitoring activities of all subrecipients is issued to the Commissioner of Finance and Administration and the Comptroller.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0 days	0 days	0 days

2. Issue 80% of monitoring reports within 18 days of fieldwork completion.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85%	80%	80%

3. Average days to complete OCR review of approved contracts.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
4 days	4 days	3 days

4. Average days to complete OCR review of requests for proposals of approved contracts.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
8 days	8 days	5 days

Obstacles to Meeting Objectives and Delivering Services

Limited funds result in undervalued interdepartmental contracts required to monitor all subrecipient contracts, per the requirements of Policy 22.

Multiple data sets with discrepant information make it difficult to determine the statewide subrecipient population, which ensures the monitoring requirements of Policy 22 are met and the state's exposure, related to subrecipient contracts, is minimized.

Failure of state agencies to execute grant contracts in place at or near the beginning of the state fiscal year creates a disproportionately light monitoring workload in the first quarter and heavy workload in the fourth quarter for PAR, creating inefficiencies that drive up overhead costs. Grantor funding, rather than subrecipient risk assessments, drive monitoring activities for some grantor agencies.

As a result of OCR efforts to increase the proportion of contracts that are competitively procured, the state use of the RFP procurement process has upsurged. The expanding use of RFPs to select contractors is good news for taxpayers. However, it results in significantly more work within OCR where staffing has declined.

Means of Overcoming Obstacles

Implementation of the Audit Tracking and Service Provider Profile System should provide a more efficient and accurate method of determining statewide compliance with Policy 22 and having a snapshot of all grant subrecipients statewide at a point in time.

Utilizing a part-time employment option in PAR will allow PAR managers to more efficiently staff to meet the fluctuating needs of monitoring services from year to year and throughout a given fiscal year as well as lessen the difficulties related to the loss of experienced staff.

Renegotiating the term of interdepartmental contracts to match the federal fiscal year (October to September) would allow monitoring work to be spread more evenly throughout the year.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Through the use of a detailed time keeping process, PAR staff track the amount of time spent performing monitoring services for grantor agencies down to the subrecipient level. This provides state agencies, which are the pass-through entities, a means to maximize the use the federal administrative dollars associated with the particular federal grant being monitored to pay for monitoring services.

Means of Avoiding Unnecessary Costs and Expenditures

Improving both internal and external training of staff, establishing and building partnering relationships with grantor departments, and refining monitoring tools reduces non-productive activity and lowers administrative costs to state agenicies.

Shifting the term of the interdepartmental contracts with grantor departments to a federal fiscal year cycle will reduce the percentage of indirect (overhead) costs billed to agencies during July-September when many grants have not been in place long enough to have meaningful, monitorable activity.

Implementing a centralized contract collection process should reduce overhead costs early in the fiscal year by providing the physical contracts with scope descriptions to monitors earlier.

Employing retired career service employees on a part-time basis to assist during peak times helps control salary and benefits costs.

Work-from-home options for certain categories of employees allow staff to perform reviews on-site and complete reports from home, reducing unnecessary travel time and expense traveling back and forth between reviews to the office.

Reliance on the use of the OCR website to share and update contracting information has reduced the inefficient and redundant phone calls and emails and provided all agencies with the latest contract language in real time.

Though less in scope than a full-blown audit, monitoring of subrecipients through a central, professional entity such as PAR, encourages uniformity of testing, reduces duplication of effort and ensures objectivity and integrity, regardless of the funding source. Centralized monitoring has also helped to reduce the number of employees dedicated solely to subrecipient monitoring from approximately 130 to 70, resulting in additional benefits and cost savings for the state.

Future Challenges and Opportunities

Centralizing the monitoring activities of remaining grantor agencies (i.e. Transportation, Education, THDA, TennCare/Long-Term Care, etc.) will require additional planning and transition with these grantors. The increased number of contracts, however, will spread fixed costs over a larger number of agencies to push down costs per review.

Implementing the Audit Tracking and Service Provider Profiling System (ATSP) will require additional staff training and patience, but will provide a more effective way of knowing the entire population of grant subrecipients in the state and whether all grants are being monitored at least once every three years.

Staying abreast of the current and changing policies for the 100+ programs monitored, as well as providing and receiving appropriate training will continue to be a challenge.

A proposal by the federal Office of Management and Budget to increase the Single Audit threshold from $300,000 to $500,000 will decrease the number of agencies required to have a full-blown financial audit making the monitoring of those subrecipients even more important.

The increasing difficulty in obtaining IT resources and implementing associated efficiencies, as well as the aging of current technology employed by OCR could result in significant challenges to OCR's ability to meet service expectations.

The escalating scrutiny and interest in state service contracting has and will likely continue to increase demands for OCR service. As noted before, legislation pending in the first regular session of the 103rd General Assembly will likely mandate OCR service. Further, expectations are great that there will be more, similar legislation in coming years.

Performance Data Schedule

The Annual Report of Subrecipient Monitoring is issued to the Commissioner of Finance and Administration and the Comptroller of the Treasury by November 30th of each year.

The percentage of monitoring reports issued within 18 business days after completion of fieldwork is available on a quarterly basis from the Office of Program Accountability and Review as computed from the PAR Subrecipient Database.

The average days to complete OCR review of approved contracts is available on a quarterly basis from OCR as computed from the Contract Management System.

The average days to complete OCR review of requests for proposals of approved contracts is available on a quarterly basis from OCR as computed from the Contract Management System.

Data Verification

The majority of data used by PAR to track performance is received from reliable systems/sources within state government and requires little, if any, verification. Additional data is reviewed thoroughly and is subjected to various tests to ensure that it has been accurately recorded. Inaccurate data is identified via a monthly report and corrected as needed. The data indicating the entire statewide subrecipient population is determined from a download from the Statewide Accounting and Reporting System (STARS) and the Contract Management System. The list of subrecipients monitored in a given year is captured in the PAR Policy 22 Database and compared to agencies' Monitoring Plans for risk assessment and appropriate frequency of monitoring.

The Contract Management System is the source from which OCR derives its performance data based on verified dates that requests from agencies are received and when they are approved or sent to the Comptroller of the Treasury for further review. All timeframes are easily auditable for accuracy.

317.11 National and Community Service

The Tennessee Commission on National and Community Service provides AmeriCorps and service-learning grants and training to local agencies so they can engage volunteers to meet community needs in education, environment, public safety, human needs and homeland security. The commission consists of a 25-member volunteer citizen board appointed by the Governor and six state positions.

AmeriCorps is the domestic Peace Corps through which adults can give a year of their lives in community service in return for help with college.

Service-learning is a teaching methodology, proven especially effective with at-risk youth, that combines academic and behavioral learning with volunteer service for K-12 youth.

Statutory and Constitutional Objectives

The National and Community Service Trust Act of 1993 requires states to maintain a state citizen service Commission in order to qualify for funds from the federal Corporation for National and Community Service. The Tennessee Commission was created in 1994 by Executive Order 55.

Mandated and Optional Services and Means of Providing Them

Mandated services included AmeriCorps subgrants, training and disability outreach funded through federal formula grants from the Corporation for National and Community Service. The Department of Education contracts with the Commission to fulfill its mandatory training obligations under its Learn and Serve America formula grant from the same federal agency.

Optional services include activities funded by national competitive federal and private grants. They include grants and training for community-based service-learning for 4-H and youth courts, national competitive AmeriCorps grants, homeland security volunteer mobilization, and educator and youth trainings in service-learning through Lions-Quest and the Points of Light Foundation YES Ambassador program.

AmeriCorps is a cost-effective program in which young adults give a year of their lives in community service in return for a stipend of about $9,000 and an education award of $4,725 that can be applied to college tuition or loan repayments. Local non-profits or public agencies identify compelling community needs that are not being met by professional staff or traditional volunteers. In fact, many full-time AmeriCorps members extend the capacity of local agencies by recruiting and supervising periodic or episodic traditional volunteers. Services and traditional volunteer recruitment and supervision provided by AmeriCorps members could be provided by professional staff at significantly higher cost.

A study of privatizing Commission activities was conducted in 1998 by the Center for Effective Government. It was determined that privatizing grant administration activities currently handled by the state would result in increased risk to the Governor who appoints the volunteer oversight board responsible for millions in subgrants and in decreased federal revenue to the state for shared indirect costs. However, the state's low pay scale results in difficulty in retaining staff qualified to handle complex grant administration.

The Commission's high quality training to equip teachers and youth to implement service-learning as a complementary educational strategy for K-12 is cost-effective through a philanthropic funding partnership with Lions Clubs International. With an on-time graduation rate for Tennessee schools of only about 60%, schools need help, especially with at-risk youth for whom service-learning is especially effective.

Performance Standards

1. Mobilize 400,000 volunteers to meet community needs in education, environment, public safety, human needs and homeland security.
2. Train 1,000 volunteer leaders and teachers in how to effectively mobilize volunteers through AmeriCorps and service-learning.

Performance Measures

1. Number of volunteers mobilized to meet community needs in education, environment, public safety, human needs and homeland security.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
401,687*	200,000	400,000

*latest actual figures available as of 5/23/03, these cover the AmeriCorps grant period August 1, 2001 through September 30, 2002.

2. Number of volunteer leaders and teachers trained in how to effectively mobilize volunteers through AmeriCorps and service learning.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,000	1,000	1,000

Obstacles to Meeting Objectives and Delivering Services

The primary obstacle to meeting objectives is risk of reduction of federal grant funds to support services. For the 2004-05 program year, the federal budget proposes a 50% increase in AmeriCorps funding. For the 2003-04 year, however, anticipated one-time federal cuts are expected to result in a 50% decrease in the number of AmeriCorps slots available to all states, including Tennessee.

Training outcomes also depends on federal and private resources. Tennessee is waiting on notification of a new three-year competitive grant for Community-based Service Learning and developing a new phase in its funding partnership with Lions Clubs.

Means of Overcoming Obstacles

Effective legislative education at the state and federal level to define the consequences of the proposed 50% in AmeriCorps slots is the most immediate action plan. The Commission is seeking private funding for Community-based Service Learning through a partnership with Lions Clubs.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Commission leverages approximately $50 in federal or other non-state revenue for every $1 in state appropriations. It monitors federal grant and private funding opportunities through trade publications and board member networks and applies whenever possible.

Using the standard national value for volunteer hours of $16.54/hour in 2002, Commission activities generated volunteer service hours valued at $6.6 million.

Means of Avoiding Unnecessary Costs and Expenditures

The Commission follows standard state salary, procurement and travel regulations to keep costs low. Additional cost-saving strategies include use of volunteers and interns, economizing on lodging by putting two people to a room and seeking donated space for trainings and meetings whenever possible.

Future Challenges and Opportunities

Maintaining infrastructure for effective AmeriCorps programs in face of the federal funding fluctuation in 2004 is a major challenge. Loss of trained program directors and community agency matching fund partners is a real risk.

The Commission has an opportunity to expand its partnership with the Department of Education to provide a combined service-learning training program for Out-of-School Youth subgrantees in addition to the current Learn and Serve America subgrantees that could result in improved behavior and academic outcomes for thousands of at-risk youth. In addition, the Commission is awaiting word on a service-learning grant application that would fund youth service activities through the state's largest community-based youth organization, 4-H, and through new youth courts to provide alternative adjudications for first-time juvenile offenders.

Performance Data Schedule

All states are required to participate in a national web-based AmeriCorps reporting system. Annual performance reports with volunteer hours from subgrantees are submitted in November.

Data Verification

AmeriCorps member hours are tracked by timesheets. Volunteer hours are tracked by sign-in sheets. Both are reviewed as part of the standard PAR risk-based monitoring program. Training participation is documented by sign-in sheets, agendas and participant evaluations.

Fiscal and Management Services

317.02 Division of Budget

The Division of Budget is responsible for preparing the governor's recommended budget, reconciling the recommended and enacted budgets into and annual work program, monitoring spending of all state agencies, adjusting budget allotments if authorized by law, analyzing agency budget requests, overseeing agency strategic planning, and reporting on performance.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1006 defines the budget powers and requirements of the Commissioner of Finance & Administration, which the Division of Budget provides key assistance in performing.

In accordance with TCA 9-4-51, the Division annually submits the Budget Document to the General Assembly.

TCA 4-3-1006 requires the Division of Budget to establish the official work program (enacted budget), to monitors agency spending throughout the year, to examines any changes proposed to the work program and recommend for approval.

TCA 4-3-1006 also mandates the Division to investigate duplication of work among agencies and make plans for better management and more efficient and economical operations. It must monitor tax revenue collections and agency spending and provide other financial data required by the Governor.

TCA 9-4-56 directs the Division to review, approve, and submit agency strategic plans to the Governor and the General Assembly annually and issue a performance report annually.

Mandated and Optional Services and Means of Providing Them

All of the above are mandated services. Budget staff, working closely with agency management, fiscal, and program personnel, provide all of these services.

Performance Standards

1. Budget instructions will be distributed by August 15.

2. The annual work program will be completed and distributed to agencies by August 31.
3. Earn the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award as an indicator of Budget Document quality.
4. Zero audit findings pertaining to Budget Document content, budget oversight functions, and Budget Office operations.

Performance Measures

1. Number of days after August 15 that budget instructions are issued.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
6	0	0

2. Number of days after August 31 that the work program is distributed to agencies.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
26	0	0

3. GFOA Award received or not.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Yes	Not Available	Not Available

4. Number of audit findings pertaining to budget functions.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	0	0

Obstacles to Meeting Objectives and Delivering Services

None

Means of Overcoming Obstacles

Not Applicable

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Division of Budget is funded entirely with state dollars. This function does not qualify for direct federal funding. Further, because of its nature, funding should not be dependent on funding from other state agencies or non-governmental services.

Means of Avoiding Unnecessary Costs and Expenditures

The Budget Document is available on the Internet, which reduces printing costs.

Future Challenges and Opportunities

The Governmental Accountability Act of 2002, which mandates strategic planning, performance based budgeting, and performance review, is currently being implemented. This new legislation will require the Division to integrate its existing data system with a new planning and performance measurement system.

Performance Data Schedule

Performance data will be reported quarterly.

Data Verification

The performance measures for the program are date specific or are decided by independent third parties such as GFOA and State Audit.

317.05 Division of Accounts

The Division of Accounts provides the controller function for state government. The Division records the accounting transactions for all state agencies and prepares tax filings with the IRS. The state's accounting system generates and sends agency payments to vendors and travel reimbursements to employees. Staff within the Division prepares the state's annual financial statements and management accounting reports. The payroll staff generates payroll and W-2s for all state employees. The Division monitors the state's compliance with the federal Cash Management Improvement Act and establishes statewide accounting policies and practices. To ensure efficiency and consistency across state agencies, the Division establishes/manages contracts for the statewide commerce activities and manages four centralized systems that support accounting operations. The Division also monitors revenue maximization services in state agencies to ensure that the state's best interests are sought.

Statutory and Constitutional Objectives

According to Tennessee Code Annotated (TCA) 4-3-1007 the Department of Finance and Administration is required to maintain a system of general accounts for all financial transactions.

This includes the duty to examine and approve all contracts and payrolls, to audit and approve all payrolls and charges, to ensure all charges are reasonable, and to make monthly reports of receipts, expenditures, appropriations, allotments, encumbrances and authorized payments.

The Division of Accounts must prescribe accounting procedures, establish subsidiary accounts, examine accounts as necessary, report any illegality or misappropriation of public properties, and establish guidelines for agencies to evaluate their internal accounting and administrative controls.

Also, TCA 4-3-1008(3) requires the Department of Finance and Administration to establish rules and regulations for the payment of travel expenses for state employees.

Mandated and Optional Services and Means of Providing Them

Mandated services the Division of Accounts.

IRS regulations specify the timing and format of tax filings both for vendor relationships and employee relationships. Work schedules are made within the Division to achieve these deadlines by establishing complimentary deadlines for agency information and using developed in-house system capabilities to prepare the data. Tax filings include 1099 reporting and wage reporting.

The federal Cash Management Improvement Act of 1990 mandates an annual exchange of interest payments between the state and the federal government for grant funds drawn sooner than planned, or for grant funds withheld by the federal government. A staff of four accountants using an in-house system to monitor draws and compile the information for reporting purposes meets these mandates.

The state's federal cognizant agency for federal funds is the Department of Health and Human Services (HHS). Each year the state is required to prepare a Statewide Cost Allocation Plan (SWCAP) that details which central service costs may be allocated back to federal programs. The plan is due each March 31. A staff of four accountants to compile centralized accounting data for the report meets this mandate.

In order for the state to issue debt in the bond market, the state must present a comprehensive annual financial report (CAFR) that is prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards. To meet this mandate and comply with the federal Single Audit Act, staff prepares the financial statements that are subsequently audited by the Comptroller's Office. While there is no specific deadline for the financial report, the Department has chosen to submit its annual report to the Government Finance Officers Association award program for excellence in financial reporting. The deadline for submission is December 31.

The appropriations bill provides for a consultant to review accounts receivable and make recommendations to maximize revenue. One-time incentives are authorized starting in 2004-05. The Division has a staff of two accountants that monitor this effort.

The federal Single Audit Act also requires the state to develop a schedule of federal grant expenditures. The Division compiles and formats information provided by the agencies and submits it to the Division of State Audit. When findings are addressed in the Single Audit, the Division prepares the Summary Schedule of Prior Year Audit Findings and the Statewide Corrective Action Plan.

Performance Standards

1. Complete all tax filings by their deadlines.
2. File Cash Management Improvement Act (CMIA) annual report by December 31.
3. The Comprehensive Annual Financial Report (CAFR) is completed and audited by Dec 31.

Performance Measures

1. Days after deadlines when Tax filings are made.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0	0	0

2. Days after deadline CMIA was filed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0	0	0

3. Days after December 31 the CAFR was prepared and audited.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
17	0	0

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

As an internal service fund, generally the Division does not provide services directly to federal grant recipients or other non-state entities. In some instances the Division collects some federal reimbursement for the preparation of the CMIA report and charges an administrative fee to non-custodial parents who are state employees required to pay child support from their paycheck. As with other internal service funds, the Division sets a rate per accounting transaction to cover its expenses.

The Division of Accounts provides the infrastructure to support agencies' search for maximized federal programs by contracting with consultants to determine whether maximization is sufficient. Also, the Division prepares the SWCAP report so that federal revenue may be maximized for administrative costs in every federal program.

Means of Avoiding Unnecessary Costs and Expenditures

The Division continually makes use of technology to speed the processing of transactions and the preparation of reports. The Division has identified a system project to provide remittance advice information electronically to a segment of that recipient population. By providing information electronically, the Division will avoid some mailing costs, envelope costs and printing costs.

While these costs are not unnecessary, the Division continues to look for ways to make its operations more cost efficient.

Also, a new program has begun for processing certain small dollar payments made by state agencies. By using the new payment card process, an agency may use a credit card for small purchases of less than $400. Purchasing regulations remain the same, but the state issues one payment monthly, instead of hundreds of small dollar payments monthly. This process reduces the overall cost of processing the payments for these purchases.

Future Challenges and Opportunities

As the business community continues to use an electronic commerce infrastructure, the Division will be using more electronic commerce (EC) to satisfy its objectives. While EC initiatives generally make settlement of transactions faster and thus accounting faster, the initiatives require more staff training and more interaction and maintenance from the information systems group.

The centralized accounting system will be 18 years old during FY 2004-2005. Although improvements to the system have been made over the years, the state should consider its replacement.

The centralized payroll system is 30 years old and as an in-house developed system, its support is based on the expertise of individuals versed in the language in which it was developed. Since its development, many issues have changed within the payroll business (deferred compensation, flexible benefits, a variety of savings bonds, etc.) and it will need to be replaced in coming years.

Performance Data Schedule

Once printed, the CAFR is distributed to the legislature, State Audit, and other interested parties. Other reports and tax filings are made by the deadlines in the Performance Standards section.

Data Verification

For each of the deadlines, there is documentation residing on the systems or on the generated reports themselves to document the date the report or task was completed. Because the deadlines are associated with the financial data of the state, they are currently subject to audit annually.

Capital Projects and Real Property Management

317.10 Capital Projects and Real Property Management

The Division of Capital Projects and Real Property Management is comprised of two core functions: Capital Projects Management (CPM) and Real Property Management (RPM).

CPM is required to prepare and apply plans for the housing of all departments, offices and agencies of state government; and to provide architectural services and personnel for the improvement of state owned real property.

RPM leases office and warehouse space for most state agencies, manages the Facilities Revolving Fund, assigns space in most state-owned office buildings, provides interior design and interior construction management for both state-owned and leased office space, provides move management for state agencies, handles the acquisition and disposal of real property, and maintains an inventory of the state's real property assets.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1003 through 1009 and 4-15-102 through 106 direct the program to manage architectural and engineering services for the preparation of estimates, plans and documents for the improvement of state owned real property.

TCA 4-3-1012 and 4-3-1105 through 1111 mandate the management of the state building energy management program and other code compliance acts.

TCA 12-2-114 mandates the advertising and leasing of state agency space.

TCA 9-4-904 through 905 directs the administration of the Facilities Revolving Fund (FRF).

TCA 4-3-1008 (1) and (2) requires the preparation and application of plans for the housing of all departments, offices, and agencies.

TCA 4-3-1009 (2) mandates general supervision and care of storerooms and offices.

TCA 12-2-112 and 12-1-106 mandate the acquiring and disposing of any interest in land.

TCA 12-2-103 through 109 requires the agency maintain a complete inventory of all state owned real property.

Mandated and Optional Services and Means of Providing Them

CPM/RPM is required to comply with all State Building Commission policies and procedures and requirements identified in the TCA as referenced above.

Among these mandated services, it must supervise all projects involving any improvement and/or demolition of real property funded by public or private funds or both in which the state of Tennessee has an interest.

CPM/RPM must enforce the provisions of the Tennessee Public Buildings Accessibility Act as well as the Tennessee Energy Conservation Code. It must adhere to prescribed standards, rules and regulations for the construction of state buildings, and perform environmental assessments, investigations, and remediation of material considered hazardous to the environment and/or human health in accordance with Federal CFR Title 40, TCA Title 68, and TDEC Rules 1200.

CPM/RPM makes space assignments in all FRF state owned buildings, prepares long range housing plans, and assists the Division of Budget in the preparation of the Facilities Revolving Fund budget. It processes and manages 661 leases statewide and handles any problems that might occur between landlord and agency.

The program also provides space needs analysis, budgets for moving agencies and interior maintenance of finishes, furniture standards and statewide contracts, floor plans for housing departments and coordination of their moves. In this service, CPM/RPM must handle license agreements, transfers of jurisdiction, inter-agency agreements, escheated property sales, and condemnations.

Performance Standards

1. Design State Building Commission projects in a timely manner.
2. Complete projects within original budgets approved by State Building Commission.
3. Retrofit 1,000,000 square feet of state owned space for energy efficiency per year.
4. Complete a yearly average of 500,000 rentable square feet of interior design and construction projects.

Performance Measures

1. Percentage of projects designed within 12 months of approval.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
50%	65%	70%

2. Percentage of total annual projects completed within original approved budget.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
50%	65%	70%

3. The number of square feet of state owned space retrofitted for energy efficiency (cumulative).

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
275,000	1,275,000	2,275,000

4. Rentable square feet (rsf) of interior design and construction projects completed over a three-year period.

Actual (FY 98-FY 00)	Estimate (FY 01-FY 03)	Target (FY 04-FY 06)
911,814	2,000,000	2,000,000

Obstacles to Meeting Objectives

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Although some capital projects are funded through federal and other non-state sources of revenue, CPM is funded entirely with state dollars.

RPM studies all new leases and analyzes the effect of Federal Circular A-87 on buy or lease decisions. Based on this analysis, CPM/RPM recommends the best candidate facilities for state purchase. As a general rule, CPM/RPM attempts to fill state-owned space with 100% state-funded programs, as federal programs are better candidates for the lease market. The reason is that the federal government will only pay a 2% use allowance on its share of space in state-owned buildings; however, the federal government will fully participate in its share of lease payments.

The office of Real Estate Management is not directly involved in acquiring federal funds.

Means of Avoiding Unnecessary Costs and Expenditures

Internal controls, reviews, and monitoring of actual expenditures by the program unit administrators, State Architect and the State Building Commission are used to avoid unnecessary costs. Invoices are audited for correctness against the contract terms for correctness against the approved work proposal.

RPM attempts to write leases for a longer term to avoid costly moves and lock-in lower rates.

Inspect lease property and stipulate items for the landlord to repair or replace in the lease.

Future Challenges and Opportunities

Performance Contracting is a tool for extracting waste in dollars spent to operate facilities. This contracting methodology reduces the state's initial outlay while maximizing the cost saving benefit of modernizing outdated facilities.

The program will have to improve agency program-driven interior tenant alterations for state-owned buildings in a cost effective and timely manner.

Quality lease facilities within the parameters of the competitive advertising system must be obtained.

Facility Planners are in great demand, both in government and also in the private sector. Due to lawsuit settlements and reorganizations of state agencies the workload of new design projects has increased tremendously creating a large backlog of projects. At the present time CPM/RPM has nine very dedicated and very talented Facilities Planners. It is critical that the Division remains proactive in finding ways to keep these people in state employment.

Performance Data Schedule

Performance data will be maintained in the project information tracking system, which is maintained on a real time basis.

RPM will track the state-owned office space vacancy rate quarterly. The Director of Interiors Management will track completed interior design and construction projects on a quarterly basis. Both reports will be issued by the first of the second month following the end of the quarter or February 1, May 1, August 1, and November 1.

Data Verification

Cost data and completion dates are recorded in the project information system database. Customer satisfaction reports as well as designer and construction contractor's evaluations of all phases of the design and construction program will be used to verify quality of construction.

Vacancy numbers are generated by the AIMS system.

Department of Personnel

General Agency Information

The Department of Personnel (DOP) designs and implements policies and practices to effectively manage the personnel needs of state government. The department advises the Governor on human resource issues, implements the Governor's Affirmative Action Plan, and administers the provisions of the Civil Service Act. The department maintains the records of all state employees as well as all applicants. The DOP also approves, coordinates, and conducts training and career development courses for all departments of state government.

The department contains the following programs:

1. Administrative Services
2. Human Resource Services
3. Technical Services

Administrative Services

319.01 Executive Administration

The Commissioner's Office is responsible for policy making and the overall direction of the department. Administrative Services and Systems Development provide daily operational support to the Department of Personnel's program areas.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 8-30-202 establishes the Commissioner's Office; and duties and responsibilities defined.

Mandated and Optional Services and Means of Providing Them

The Commissioner is required to direct and supervise all administrative and technical activities with respect to state service, providing overall direction and support to enable the program areas to provide mandated and optional services. The two optional services within Executive Administration are the Systems Development Division and the Administrative Services Division.

The Systems Development Division provides information technology support to the department; including support for the statewide employment information system (SEIS) and applicant certification, which are used by agencies in the employment process. In addition, the division is responsible for maintaining and enhancing the LAN based imaging system that stores images of employment applications, separated employee files, and position classification questionnaires.

The Administrative Services Division provides support for the department; including fiscal services, human resource management, messenger mail services, contract development and administration, strategic planning, procurement, review and approval of out-of-state travel for all state agencies, and review and approval (from a DOP perspective) of personal services contracts for all state agencies.

Performance Standards

1. Process out-of-state travel requests.
2. Process personal services contracts.

Performance Measures

1. Process 90% of out-of-state travel requests within three days of being logged.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	90%	90%

2. Process 90% of personal service contracts within three days of being logged.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	90%	90%

Obstacles to Meeting Objectives and Delivering Services

None

Means of Overcoming Obstacles

Not Applicable

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Management and staff are always reviewing processes and outcomes to determine better ways of maximizing resources and improving services to internal and external customers. These reviews include the Comptroller's bi-annual financial audits and performance audits required by TCA.

Future Challenges and Opportunities

The challenges to Executive Administration include changing technologies and keeping pace in an environment of budgetary constraints.

Performance Data Schedule

Data is available 30 days after the end of each quarter.

Data Verification

The information released on the Performance Data schedule is verified by quarterly reviews by management.

Human Resource Services

319.02 Human Resource Development

Human Resource Development manages many services provided to state employees. This program contains the Title VI Commission, the Civil Service Commission, Employee Relations/Employee Service Awards Program, the Sick Leave Bank, the Performance Management and Evaluation/Career Ladder, the Employee Suggestion Award Program/State Employees' Charity Fund, Training/Employee Development, and the Equal Opportunity (EEO)/Americans with Disabilities Act (ADA).

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 8-30-328 and 4-5-219, Secretary of State Rule 1360-4-1, and Rules of the Tennessee Department of Personnel (DOP Rules), Chapter, 1120–11.05(5) outline the duties of the Civil Service. TCA 8-30-201 calls for a "personnel administration based on merit principles and scientific methods…to govern the appointment, promotion, transfer, layoff, removal and discipline of employees, and other incidents of state employment."

The Tennessee Title VI Compliance Commission was created by Executive Order 34 to define and establish components, guidelines, and objectives of a comprehensive state policy to ensure and promote present and future compliance with Title VI of the Civil Rights Act of 1964.

The department must provide statewide services in the arena of equal employment and Americans with Disabilities to all departments, agencies, boards and commissions within state service. TCA 3-13-101(a), TCA 4-3-17, TCA 4-21, TCA 16-3-502, TCA 8-30-202 through 205; Governor's Executive Order No. 2; DOP Rules 1120-7; Title II of the Americans with Disabilities Act of 1990 (ADA); President's Executive Order 11246, and all other Federal and State discrimination laws and regulations.

Mandated and Optional Services and Means of Providing Them

The Title VI Compliance Commission provides education and training and monitors the implementation of programs and activities subject to Title VI of the Civil Rights Act of 1964. State agencies subject to the federal and state law have appointed Title VI coordinators to provide support to management and monitor their sub-grantee agencies. The commission establishes the components, guidelines, and objectives of a comprehensive state policy to ensure and promote present and future compliance with Title VI requirements. It also investigates policy conflicts and inconsistencies, allegations of noncompliance, and submits its findings annually to the Governor and the General Assembly.

The Civil Service Commission administers the state's civil service appeals process. The Civil Service Commission is a formal mechanism for state career service employees to receive a final decision/remedy through mediation or appeal for grievance decisions previously made at the agency level, in accordance with the Department of Personnel rules and in statutory compliance. (TCA 8-30-328, 4-5-219)

Mandated responsibilities carried out by the Employee Relations office are to advise state employees of their rights under state laws and DOP Rules, policies, and practices pertaining to career and executive service; consult with state agency's supervisors, managers, and executives regarding personnel decisions related to progressive discipline, grievances, reduction-in-force, and other HR functions (TCA 8-30-202 and DOP Rules, Chapters 1120–2 through 1120–14).

Employee Relations oversees a number of other mandated services: the Performance Management and Evaluation system, the State Employee Sick Leave Bank, the Employee Suggestion Award, the Employee Service Award, the Tennessee Employees Charitable Campaign, Career Ladder Program, and the State Employee Information Line.

Employee Relations provides program management, coaching, counseling, and an administrative appeal process for the state's Performance Management & Personnel Evaluation (PE) Program (TCA 8-30-319 and DOP Rules, Chapter 1120–5).

The Employee Sick Leave Bank (SLB) serves as a benefit to state employees much like a short-term disability insurance policy. The bank provides emergency sick leave to member employees who have suffered a disability as a result of an unplanned personal illness or injury according to SLB Guidelines and the Department of Finance and Administration's Agency Payroll Processing Manual. (TCA 8-50-901 and 8-50-910; and DOP Rules 1120–9).

The Employee Suggestion Award Program (ESAP) is a formal mechanism for employees to submit their ideas for saving money, improving an operation or procedure, or improving delivery of services. Monetary awards of 10% of the first year's savings may be awarded to employees who submit original suggestions that are implemented (TCA 8-30-202, 4-27-101, 4-27-105 and DOP Rules 1120–9).

The Employee Service Awards Program is a formal mechanism to recognize the valued contribution made by qualifying employees through their longevity as employees of the State of Tennessee. Mandated responsibilities of this function are to administer the state's Employee Service Awards (TCA 8-30-202 and DOP Rules, Chapters 1120–2 through 1120–14).

Employee Relations must coordinate between charitable organizations and state agencies for the purpose of launching, conducting, and monitoring the annual charity fund (State Employees' Charity Fund) and other associated information sharing activities (TCA 8-30-202 and DOP Rules, Chapter 1120–9).

Through the Career Ladder, Employee Relations reviews the accuracy and facilitates administrative processing of the state special schools teachers' Career Ladder program for the Departments of Education, Corrections, Human Services, Children's Services and Mental Health and Developmental Disabilities (TCA 49-5-5002, 49-5-5013, and 49-5-5023).

Training and Employee Development is a mandated service that provides training classes to retain qualified and competent employees through in-service training activities (TCA 8-30-202(a)(4), DOP Rules 1120-8).

Training courses exist for all levels of state employees in these areas: Leadership/Management, Supervisory, Professional, Interpersonal Communication, Personal Growth, Team Action, Business/Office Skills, English Grammar/Writing and Continuous Improvement. The service is responsible for the availability of EEO/AA Training to all state employees. This training is critical in meeting the spirit and intent of Title VII legislation.

This service also coordinates the Tennessee Government Executive Institute (TGEI), a yearly three-week program and the newly established Tennessee Government Management Institute (TGMI), a yearly two-week program both designed to enhance the leadership skills of senior and middle managers, respectively, in state government.

One of the major initiatives undertaken by Employee Development, which is optional, is the Leadership Development Initiative. It helps employees develop skills to conduct state activities in a simpler, more efficient way and create opportunities for employees to achieve their highest potential.

The service awards Continuing Education Units (CEU's) through the International Association of Continuing Education and Training for all in-service training delivered within state government. CEU's are used to gain educational points for Civil Service Registers and as course work at colleges and universities.

When training cannot be acquired through available in-service training, out-service training provides opportunities for employees to attend educational, vocational, and professional institutions and facilities to receive training that meets specific departmental needs for scientific, technical, professional and administrative skills. The approval or disapproval of out service training requests ensures quality and value in learning events sponsored by entities outside of state government.

The EEO/ADA section provides standards and procedures in the preparation, submission, reporting, review and technical assistance of Affirmative Action planning and EEO/ADA/Fair Employment complaint processing or external/internal EEO/ADA investigations. The EEO/ADA Section prepares and submits the Annual Affirmative Action Report to the Governor and the Annual Federal EEO-4 Report on the statewide workforce.

EEO/ADA is also responsible for implementing the state's compliance with Title II of the American with Disabilities Act of 1990 (ADA). This service develops and communicates information, practices and procedures for state agencies in technical EEO/ADA compliance

matters, including program access and accommodation for disabled citizens, employees, and applicants. The EEO/ADA Section is charged with reviewing, monitoring and contributing to the EEO/AA/ADA training and development opportunities provided to all departments and agencies in the state service. The EEO/ADA Section has the responsibility to assist the Governor's Advisory Committee on Equal Employment Opportunity in carrying out its statutory obligations.

Performance Standards

1. Assist state agencies in handling and resolving Title VI complaints.
2. Upon receipt of employee suggestions, log, research for eligibility, and deny or forward to appropriate agency for evaluation.
3. Process Continuing Education Unit applications.
4. Use participant evaluation of courses to determine the overall value of all programs to state employees with a target of 4.5 on a 5.0 scale.
5. Ensure agency affirmative action plans are approved.
6. Process EEO/ADA complaints.

Performance Measures

1. Number of agencies assisted with the handling of complaints of discrimination.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0	5	0

2. Log, research, and deny or forward 90% of employee suggestions to appropriate agency within five workdays of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	90%	90%

3. Process 95% of Continuing Education Unit Applications within five business days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

4. Percentage of all training courses evaluated at a minimum of 4.5 on a 5.0 scale.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

5. Percentage of agency AA plans processed by October 15.

Actual (F Y2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	100%

6. Process 95% of EEO/ADA complaints within three business days.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

Obstacles to Meeting Objectives and Delivering Services

Employees may not always adequately understand the grievance/appeals process, such as required documentation, and procedures at the fifth level; this slows the process.

Employee Relations provides consultation and statute/rule based recommendations to the agency; however, the final decision regarding actions is at the discretion of the agency.

Due to the complexity of the SLB application and required follow up actions, the success of this service is shared responsibility between the employee, the medical doctor/surgeon, the Department of Personnel, and the member's personnel office. The employee's doctor provides medical information, yet the medical provider controls quality and completeness of information.

The PE cycle involves multiple planning and counseling sessions between the reviewer, supervisor and employee. Each agency is responsible for the outcome(s) of this program. The Department of Personnel provides mandatory training for all supervisors and additional counseling and training upon request to insure the performance management function is effective, successfully managed, and reported.

An obstacle that exists for the Career Ladder is coordinating the individual department's submission of the required packages in a timely manner to insure timely payment.

Tennessee Code Annotated 4-27-101 through 105 does not include mandated timeframes for agencies to complete an evaluation of an Employee Suggestion.

For the Tennessee Employees Charitable Campaign, coordination must occur between the Department of Personnel, the Secretary of State's Division of Charitable Solicitation, the Department of Finance and Administration's Payroll Division, approved charitable organizations, and all state agencies.

For Training and Employee Development, reduced agency budgets will impact the available training dollars for employees to continue to develop the knowledge and skills required to deliver government services. Employees are learning new jobs and new ways of doing their existing jobs. Employees' knowledge and skills training needs will require new and different learning opportunities.

Some course material available to employees is outdated and often does not reflect current management methodologies and theories. Technology constraints impede operational excellence within Employee Development. On-line learning opportunities are limited, as are the tracking and reporting systems employed.

Inconsistency in state and federal laws and regulations continues to have an impact on the services provided by the EEO/ADA section of the ED/EEO Division. A continuing increase in demand for services and workload considerations and an inconsistency in available data and technology impede the division. There is a lack of availability of Advisory Committee Members and Agency Coordinators for EEO events.

Means of Overcoming Obstacles

During the grievance/appeals process, The Civil Service Commission communicates to all persons involved to determine the appropriate course of action. Letters removing a property right of career employees are audited for appropriate Fifth step grievance rights.

Employee Relations conducts training and provides consultation for agencies to enable them to make decisions that are more effective and resolve problems in accordance with the TCA. By communicating with customers, opportunities for improvement are identified.

Orientation training and accompanying Sick Leave Bank reference manuals are being developed to be used by agency personnel as a desk reference when applying for, or requesting extensions of, SLB benefits.

Conducting the necessary training and consulting for agency staff enables more effective job planning, coaching, and evaluating performance in accordance with statutes and rules.

Maintaining contact with agency Career Ladder personnel ensures the required paperwork is submitted in accordance with guidelines.

To expedite the Employee Suggestion process, periodic reminders are sent to agencies, asking them to complete suggestions and evaluations timely and accurately.

The Charitable Campaign conducts the necessary training and information sharing; and communicates with agency coordinators and charitable organizations to identify opportunities for improvement.

To overcome obstacles, Employee Development has reduced course costs to pass along savings to agencies thereby easing their training burden. This allows the agencies to stretch their training dollars and provide more learning opportunities to their employees. Employee Development is developing new courses internally as a means to provide new content and learning experiences to customers while containing costs. Also, in an effort to create new high quality learning opportunities for employees, requests for new courseware are in process.

The EEO/ADA section continually monitors changing EEO/ADA laws, regulations and court decisions, and makes recommendations to update policies and procedures to ensure timely compliance. The section may increase the timeframes for planning and notices of EEO/AA/ADA events.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Management and staff are always reviewing processes and outcomes to determine better ways of maximizing resources and improving services to internal and external customers. These reviews include the Comptroller's bi-annual financial audits and performance audits required by TCA.

All directors review the initiatives to maximize resources and improve the delivery of services.

Career Ladder is being phased out with no new members being added. No specific end date has been established.

Sick Leave Bank is developing orientation training and an accompanying SLB reference manual for agency personnel as a desk reference for SLB benefits.

OmniForms are replacing the old Performance Evaluation forms during FY 2003-2004, which will prove to be more cost-effective.

The program may request that the three participating Charity Federations provide brochures, pledge cards, training materials, and reporting forms for the Tennessee Employee's Charitable Campaign.

Future Challenges and Opportunities

There is an opportunity to include the underutilized talent of the state's minority community in public policy planning. The program will encourage compliance with the law and promote ethnic diversity as a quality of life asset to the appointed and elected leadership.

Maintaining high quality services with significantly increased enrollment and requests for benefits in the Sick Leave Bank will be a challenge. Guidelines and forms will be clarified and updated as needed to ensure the customer has a user-friendly process to use when applying to the SLB.

The program will be phasing in agency use of a computer version of OmniForms (on-line documentation of employee performance) of Performance Management and Evaluation forms for on-line documentation and tracking as the primary method for tracking employee performance data. Implementation is to begin during FY 2003-2004.

Job catalog revision for all Career Service classifications will begin in FY 2003 and continue until completed.

Maintaining or increasing employee participation in the Employee Suggestion Awards, and implementing the intervention(s).

There is a need to review and upgrade the Automated Affirmative Action System. Additionally, EEO/ADA will place a greater priority on bringing together the Governor's Advisory Committee members and the Agency Coordinators to provide professional development opportunities and develop an increased awareness of policy updates and legal changes.

Performance Data Schedule

Human Resources Development will distribute annual and quarterly reports.

Data Verification

Relative performance evaluation data is monitored quarterly by management statewide.

The Career Ladder supplemental payments are reviewed by agencies who have educators eligible for the program, then by Personnel's Employee Relations, then finally verified by the department's Payroll- Technical Services division to ensure accuracy.

Tennessee Employees Charitable Campaign verifies monthly reports of donations and coordinator feedback is discussed annually or as needed by management.

Technical Services

319.03 Technical Services

Technical Services reviews and administers state employee compensation and position classifications. They are also responsible for administering the civil service exam, informing applicants about employment and promotional opportunities, and processing general employee transactions such as appointments, transfers, promotions, separations, attendance, and leave adjustments. There are approximately 42,000 positions in the state service, covered by approximately 1,350 job classifications.

Statutory and Constitutional Objectives

To facilitate a nondiscriminatory means of developing and defining minimum qualifications, necessary special qualifications, and examination procedures for career service job classifications in accordance with both federal and state laws, the use of examinations for employment purposes was established. A federal statute, the Tower Amendment, section 703 (H) to the 1964 Civil Rights Act, specifies the requirements of any professionally developed test.

Statutes prohibit discrimination based on race, color, religion, sex, national origin, age, or disability. These include Title VII of the U.S. Civil Rights Act of 1964 (as amended in 1972 to cover state and local government, and 1991); Titles I and II of the U.S. Americans with Disabilities Act of 1990, and the U.S. Age Discrimination in Employment Act of 1967. In general, statutes require that adoption of "professional standards to develop and demonstrate that an employment requirement, such as a minimum qualification, a civil service examination or other employment test, or a necessary special qualification, such as a physical agility test, is job related and consistent with "business necessity."

Tennessee Code Annotated (TCA) 8-30-302 mandates that examinations and/or evaluations based on education and experience be provided for the purpose of rank ordering career service applicants.

Technical Services follows a multitude of TCA statutes to determine compliance in the areas of attendance and leave, longevity pay, civil service, and access to employee files. It must also comply with the Family and Medical Leave Act (FMLA) and the Federal Regulations Fair Labor Standards Act (FLSA).

Technical Services, in lieu of the Commissioner, must "establish, administer, and execute a classification plan for the state service." TCA 8-30-202(a)(6)(E) It must "recommend to the governor a compensation plan based on prevailing wages paid in the public and private sector within the state for all positions in the state service" TCA 8-30-202(a)(6)(F).

Other requirements include conducting investigations pertaining to personnel, salary rates and ranges. TCA 8-30-202(a)(6)(G) Surveys of rates of pay for persons performing graduate civil engineering functions in other southeastern states and federal agencies must be completed as well TCA 8-30-202(a)(6)(H).

Mandated and Optional Services and Means of Providing Them

The Examinations service provides the mandated rank ordering of applicant qualifications for employment consideration and appointment is mandated (TCA 8-30-309), as well as the process for promotion and entrance tests (TCA 8-30-302).

The Applicant Services (AS) unit reviews applications for over 1,350 career service job titles to determine if established minimum education and/or experience requirements are satisfied. Examinations include written and computer administered tests as well as training and experience evaluations. Qualified applicants with passing examination scores are added to the rank ordered career service registry list. In FY 2002-2003, a total of 55,911 applications were received and 115,405 separate assessments were performed.

The Technical Services section's main responsibility is reviewing employee transactions statewide to ensure compliance with appropriate laws, rules and policies. These transactions include appointments to positions, transfers, promotions, demotions, extended leave, separations, attendance and leave (TCA 8-50-109 through 113; TCA 8-50-801through 810), and creditable service and payroll related transactions, such as supplemental payments and longevity pay (8-23-206). The section is also responsible for maintaining records of current and former state employees, maintaining applicant records, verifying employment, processing veterans preference points, maintaining the Reduction in Force Priority Recall List and verifying unemployment claims for state employees.

TCA chapters and sections that deal with attendance and leave issues include:

2-9-103 Voting Machine Technicians (absence from work)
4-4-105 Department office hours - overtime
4-7-109 Temporary retention of disabled member on payroll
4-7-117 Temporary retention of disabled correctional officer or youth service worker

4-21-408 Maternity Leave
8-23-201 Compensation for extra services
8-30-215 Hours of work, attendance and leaves of absence
8-33-101 -109 Employees in Military Service
8-36-805 Reemployment permitted (retired employees)
15-1-101 Legal Holidays
22-4-108 Civil Leave.

The principle activities of Research are to provide litigation support to the Attorney General and agency legal counsel, to provide technical guidance to state agencies on employment tests and other assessment procedures, and to conduct special studies, such as analyses of turnover in selected job classifications, or promising new methods of assessing candidates for employment.

These services are provided through continuous monitoring of technical literature in industrial-organizational psychology and related fields, conduct of statistical analyses using mainframe and desktop computer programs, technical reports, meetings, depositions, and expert witness testimony.

When appropriate and feasible, certain services have been contracted with outside vendors. The cost of professional services far exceeds available funding and is feasible only when agencies are able to provide the necessary funding.

The Classification/Compensation service is responsible (TCA 8-30-202) for the establishment and administration of a classification plan and a compensation plan, as well as conducting surveys and investigations pertaining to salary rates. It oversees the classification of all positions in the state, ensuring that they are grouped together on the basis of similar duties and responsibilities, and evaluates agency requests for changes in classification and compensation.

In this task, this service takes into consideration pay equity among classes of positions with comparable levels of responsibility and complexity; recruitment rates necessary to attract and retain qualified job applicants, and salary ranges that are competitive with those of other private and public sector employees. This is accomplished by maintaining and analyzing demographic data such as average salaries, filled and vacant positions, and turnover rates.

Classification and compensation also conducts job audits and prepares fiscal notes of proposed legislation pertaining to relevant issues, and interprets the overtime provisions of the Fair Labor Standards Act as well as the provisions of the Career Employee Act.

Performance Standards

1. Develop, monitor, and revise assessment methods for career service job classifications according to legal guidelines and changing job requirements.
2. Conduct job classification studies to assess the needs of the state.
3. Review and evaluate employment applications.
4. Resolve requests for individual classification actions.
5. Resolve requests for individual salary adjustments.

Performance Measures

1. Percentage of assessment methods developed and implemented within 120 days of new career service job classification establishment.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	100%	100%

2. Percentage of analysts maintaining an average of ten job classification studies per year.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	80%	80%

3. Review and evaluate 80% of employment applications within 28 days of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	80%	80%

4. Resolve 80% of requests for individual salary adjustments within 5 working days.

Actual (FY 2002-2003)	Estimated(FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	80%

5. Resolve 80% of requests for individual classification actions within 5 working days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	80%

Obstacles to Meeting Objectives and Delivering Services

Agency requests for establishment of new career service job classifications may require from two months to two years for completion. Factors such as the number of positions to be created for or reallocated to the new classifications, or the number of departments or agencies in which the job classifications will exist can impact the length of time. The extent of the job study and actual detailed information required is governed by the action requested by the agency, the current job information availability, and the priority for the implementation of findings.

Increases in the number of applications received and the requisite assessments strain the ability of Applicant Services to meet targeted processing timelines. The number of applications received since FY 2000-2001 has increased by 25%.

Technical Services works for extended periods of time without a full staff and faces an increase in the volume of work.

Implementation of new applicant assessment processes has been hampered by lack of a web-based system to administer “background questionnaires” to applicants and insufficient numbers of computer terminals at field locations to meet the demand for computer-administered tests.

The primary obstacle that can affect Classification is the inability to control, or anticipate, the volume of requested services. Major reorganizations within departments, requests for detailed classification studies, variance in salary policy from year to year, and increases in department requests for individual classification and compensation actions each have an affect on performance measures. Each type of service request requires a different level of analysis. How quickly an agency responds to our request for additional information also affects the length of time needed for resolution.

With more than 40,000 positions in over 1,350 different career service job classification titles, it is extremely difficult for the department to meet the needs of all agencies on a timely basis. Human resource management tends to operate in crisis mode, almost as an afterthought. The ability of the Department of Personnel to respond to such crises is limited not only by staffing but also by legal procedures and law.

Means of Overcoming Obstacles

Examinations conducts job studies based on a schedule established using the following table for estimating the number of man-hours required to complete the various elements of a typical Training and Evaluation guideline development study.

Applicant Services has streamlined some of its business practices in an effort to manage the increased volume. Additionally, AS, in conjunction with Research, is exploring methods to reduce the number of job titles for which continuous examinations are administered.

Technical Services divides the workload among existing staff. Since the transactions could affect employees' pay, the remaining staff must continue to meet minimum standards. Therefore, overtime may be necessary.

Research is seeking to expand its examinations, administration capabilities.

During periods when the volume of work is unusually high for Classification, prioritizing agency requests is the primary way to meet performance standards of quality. During these times, the program may be unable to meet performance measures for timeliness. Classification cannot control the level of activity requests, but can control the quality in terms of reliability and responsiveness to agency needs.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Examinations adheres to internal management procedures for monitoring of staff activities and maintains project standards and staff performance expectations associated with the conduct of job studies, examination development projects, job banking, and study documentation activities.

The Examinations service maintains a documentation review checklist against which all documentation reports are compared to confirm completeness, and maintain procedures for program evaluation by external entities.

A bimonthly meeting of Applicant Services, Examinations, and Classification managers is held to discuss internal and external divisional and departmental related issues. A study evaluation questionnaire is being developed for agency subject matter experts to use prior to and following examination development studies. An annual meeting with rating staff addresses guideline development and rating improvement opportunities.

Applicant Services regularly monitors output data and follows internal operational procedures. It also realigns staff resources to meet changing work requirements and regularly informs Examinations staff of guideline development issues.

Technical Services, Research, and Classification management and staff review processes and outcomes to ensure maximization of resources and improve services, such as shifting staff assignments to react to fluctuations in individual agency requests for services and maintaining efficiencies when travel is necessary.

Future Challenges and Opportunities

The Examinations Division must continue to take advantage of enhanced computer technology in both the development and administration of testing procedures. It must continue to develop more realistic means of evaluating applicant job performance capabilities and faster, more efficient means of administering such tests.

AS must continue to work with Examinations and Research in the development of more efficient and effective means of assessing applicants. Taking advantage of enhanced computer technology is essential to meeting future challenges.

AS must continue to explore means by which to increase the capacity to administer computer tests in remote locations.

Research envisions litigation, employee/applicant expectations, and agency expectations and demands will continue to increase. Innovations in assessment procedures over the past decade, coupled with new technologies, create the possibility for meeting these challenges even more effectively than is possible today.

Performance Data Schedule

Data will be reported on a quarterly and annual basis and will be available for review two months after the end of the fiscal year.

Data Verification

The Department's Applicant Information System (AIS) provides classification specific information, EEO code, DOT, TOC, salary grade, occupational and educational data. In addition, examination data including test set, minimum and necessary qualification revisions, etc, as well as actual testing data for specific testing instruments are accessed by this program. Applicant test data is obtained from the Department of Personnel's mainframe extract tapes and the Department's computer administered testing program, FXTEST.

The Examinations Division uses applicant testing information for planning examination development projects, responding to legal inquiries, providing guidance to applicants, and for simple monitoring of test use and applicant volume. Examinations Division staff can readily access examination and classification testing results, including the number of applicants applying for employment consideration, number meeting minimum qualification, number of testing no shows, and number of applicants passing an examination. Test results can also be subdivided by race and sex for determination of adverse impact statistics and provide us with the ability to make a quick response to applicant and court inquiries concerning test validity.

Management reviews performance data monthly and quarterly to verify accuracy.

Department of General Services

General Agency Information

The Department of General Services is responsible for providing central support services to all agencies and departments in state government. The department provides the following programs:

1. Administration
2. Systems Management
3. Property Utilization
4. Motor Vehicle Management
5. Property Management
6. Postal Services
7. Printing
8. Purchasing
9. Records Management
10. Central Stores
11. Food Services Program

Administrative Services

321.01 Administration

This program provides effective and efficient administration to all programs in General Services, including planning, fiscal analysis and processing, legal services, auditing and human resource management. Administration also establishes and directs the official policies related to departmental services.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1103 establishes the Department of General Services and requires that the Commissioner coordinate and administer support services for state government.

Mandated and Optional Services and Means of Providing Them

TCA mandates the coordination and administration of central support services for state government. The following services contribute to this departmental activity:

Office of Financial Management (OFM) is responsible for providing accounting, auditing, budgetary, payroll, asset management, and financial management services to the department.

Internal Audit (IA) is responsible for conducting audits, limited review of all divisions, limited review of contracts, coordinating activities with the Comptroller of the Treasury, and observing annual inventories.

Personnel is responsible for providing personnel management advice and technical services to the Commissioner's staff, all divisions, employees and applicants.

Performance Standards

1. Complete limited reviews, inventory observations, and other audit assignments in the audit plan.

Performance Measures

1. Complete 73 total audit assignments.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
96	73	73

Obstacles to Meeting Objectives and Delivering Services

For the Office of Financial Management, staff turnover in the Accounting section causes the cost effectiveness to be significantly diminished as well as operational efficiency and response time in providing financial services to the department.

Within Internal Audit, delays in getting necessary information from auditees to complete a step in an audit program can impact the time required to complete a review.

Due to a limited number of phone lines, Personnel can only process a limited number of registers at one time. This is exacerbated by a lack of voice mail to handle non-urgent situations.

Means of Overcoming Obstacles

On-going professional development training helps OFM keep up with the ever-changing technology as well as reporting requirements.

Persuading auditees to supply information more quickly would be a means of eliminating delays in obtaining necessary information. Additional internal controls on the part of management would reduce unnecessary problems and consequently, the time spent on a review.

Personnel works only the number of registers the phone lines are capable of handling.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Maintaining a properly trained, professional staff allows the Office of Financial Management to function without additional manpower.

The ability to monitor hours spent on reviews and inventory observations coupled with the elimination of some audit steps should enable the Office of Internal Audit to manage time more efficiently.

Personnel routinely reviews operations to avoid unnecessary costs.

Future Challenges and Opportunities

The requirements of implementing an Enterprise Resource Planning (ERP) system, the continuing changes in reporting requirements, and the need to provide continuing education for staff are all matters which will challenge the program to comply with its performance standards.

There is an opportunity for increased sharing of audit programs, ideas, strategic planning initiatives, and training opportunities through regular meetings of program directors.

Performance Data Schedule

Reports are currently generated annually. Research will be conducted to develop reports quarterly and monthly.

Data Verification

Programs and operations reporting are verified through reconciliation and random sampling.

321.15 Systems Management

This program is charged with providing technical and analytical support to the Commissioner's staff and all the divisions of the Department of General Services. The program is organized into five groups: Hardware and Software Technical Support; Operations and Administrative Support; Agency Production Analytical Support Groups; Programming and System Development; and Administration.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1104 mandates the coordination and administration of central support services for state government.

Mandated and Optional Services and Means of Providing Them

Systems Management is an optional program that provides support services to the mandated programs of the Department of General Services. Its purpose is to provide customers with quality information systems services at an affordable price in a reasonable amount of time.

The program provides this service by receiving, researching, tracking and evaluating requests for services (RFS) from customers, providing time and cost estimates for all projects, using the State of Tennessee Information Technology (IT) standards for development, management, system construction and maintenance of all projects.

Performance Standards

1. Timely respond to requests for service.
2. Provide customers with quality service on their projects.

Performance Measures

1. Respond to 95% of inquiries within 24 hours of the request.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

2. Achieve a combined grade of "very satisfied" on 90% of the project surveys, post implementation surveys, and annual customer service surveys.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	90%	90%

Obstacles to Meeting Objectives and Delivering Services

There is a lack of a comprehensive tool for the tracking and recording of costs (labor, equipment, software and other expenses). Currently, Systems Management has two tools that provide a piece of the needed information. The Remedy Help Desk can be used to track notifications from customers, but it only records time expended for one individual, even if many systems staff members are working on it. The other tool is the state's Labor Distribution System, which can assign and record costs for most projects via a unique billing code. Some smaller projects cannot easily be given a billing code.

This lack of a tool that allows for a tracking of all costs on a project forces staff to upload the pertinent information to the Labor Distribution System.

Means of Overcoming Obstacles

By emphasizing technology throughout the entire department, the total technological base would improve as well as remove the divisional mistrust of newer methodologies and provide the opportunity to plan, manage and implement systems better.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Formal project review, prioritization, and approval processes involve department management, whose oversight reduces inefficiencies.

Future Challenges and Opportunities

Technology advances continue to make products obsolete, which brings the need to constantly review current systems/equipment and the need for replacements.

Performance Data Schedule

Reports are currently generated annually. Research will be conducted for possible quarterly and monthly reports.

Data Verification

Data undergoes supervisory review, approval of time reviews, and spot audits of time spent.

Property Management and Utilization Services

321.04 Property Utilization

The responsibility of the Property Utilization is to receive, redistribute or otherwise dispose of state and federal property deemed no longer usable or needed by state and federal agencies and departments. Property Utilization is comprised of two major components, State Surplus Property and Federal Surplus Property.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 12-2-401 through 12-2-419 mandate Property Utilization to receive and dispose of state surplus property. Department of General Services Rule 0690-2-1 provides for the specific methods and criteria for the requirements in the statute.

TCA 4-3-1105 (15) [referencing TCA 49-1-304] authorizes the Property Utilization Division to receive and redistribute federal government surplus property. Department of General Services Rules 0690-1-1 provide for the specific methods and criteria for the requirements in the statute. In addition, the Tennessee Plan of Operation as approved by Legislative Resolution 235 dated May 26, 1981, details the methods for redistribution and accountability for the program.

Mandated and Optional Services and Means of Providing Them

TCA and General Services rules establish Property Utilization's authority in receiving, warehousing, and disposing of the state's surplus assets. Property Utilization determines the method of disposal and issues directives to the releasing agency to accomplish that method. Property Utilization uses set guidelines of character, utility, and functionality of the property; economics and cost associated with the disposal; and sound fiscal and budgetary policies. Property Utilization may determine to pick up and transport the property; may sell the property on site; may instruct the releasing agency to deliver to a specified location; or authorize the destruction of the property.

TCA, Department of General Services Rules, and the State Plan of Operation establish Property Utilization's authority to receive, warehouse, and redistribute excess federal property. Property Utilization screens property that is likely to be usable to eligible organizations in the state, and makes a request to the United States General Services Administration (US GSA) for that property. Screening may be in the form of physical screening or electronic screening. US GSA allocates property to the 50 states based on those requests and on past history of allocation. Once allocated, Property Utilization is responsible for the transportation of the property from the federal agency to the warehouse.

As an optional service, Federal surplus property administers the Department of Defense (DOD) Law Enforcement Support Office (LESO) that redistributes excess DOD property to local law enforcement agencies for use in drug eradication or anti-terrorism activities.

Federal surplus property also participates in the Federal GSA Fleet Management Auction Program and acquires vehicles for redistribution to political subdivisions of the state and other eligible organizations.

Performance Standards

Redistribute state property to political subdivisions of the state and other eligible organizations, or sell non-redistributed property to general public.

1. Redistribute federal property to political subdivisions of the state or other eligible organizations.
2. Increase participation by law enforcement agencies in Law Enforcement Support Office (LESO) program.

Performance Measures

1. Redistribute 100% of state property to political subdivisions, organizations or sell to general public within 90 days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	100%	100%

2. Redistribute 55% of federal property to state political subdivisions or other eligible organizations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	55%	55%

3. Increase number of law enforcement agencies in LESO by 5%.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
72	77	82

Obstacles to Meeting Objectives and Delivering Services

State Property is often not surplused timely by releasing agencies, thus leading to deterioration of property and the handling of property with no economic value. Property Utilization bears the cost of handling of this deteriorated property and generates no revenue from disposal.

US GSA has a 21-day window in which federal property is allocated and must be picked up by the receiving agency (PUD). This window can strain the program if staff is devoted to another project at the time.

Means of Overcoming Obstacles

If state property deteriorates in value due to the releasing agency's neglect or failure to timely report an item as surplus, Property Utilization will request authority to charge back to that agency the cost of handling.

Federal property will maximize current resources with cross-training.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Property Utilization receives revenue from the disposal of state property and also charges back to the releasing agency any costs associated with the disposal of hazardous materials or the processing of computer equipment. Receiving no federal dollars, Property Utilization is dependent on the release of property from state agencies and departments, making it difficult to increase revenue based on grants or other appropriations.

The federal surplus property service receives revenue from two sources: from fees collected in redistributing property to eligible organizations, and from the subscription fee paid by law enforcement agencies to participate in the LESO program. Federal surplus receives no state funding and must rely on the allocation of property from the federal government, the redistribution of this property for a fee, and the participation of law enforcement agencies. In order to maintain budget requirements, federal property must continue to participate in the GSA Fleet Management auction program, and become proactive in the LESO program by encouraging more participation.

Means of Avoiding Unnecessary Costs and Expenditures

Departments and agencies need to release state property no longer needed in a timely fashion to prevent deterioration and reduction in value. If the trend of deteriorated property continues, agencies need to be charged a disposal fee.

Future Challenges and Opportunities

As environmental regulations tighten on waste products, state Property Utilization must continue to find approved outlets for disposal of environmentally hazardous products that require special handling, such as refrigeration equipment, computer monitors, circuit boards, transformers.

As the federal government proceeds with its electronic screening database, Tennessee must utilize all possible resources to compete among the other states. Physical screening will help the program acquire property. Federal Property Utilization has the opportunity to develop the LESO program into a service indispensable to Tennessee's law enforcement agencies. This program development will require continued training and substantial networking with other states over the next several years.

Performance Data Schedule

Reports are generated annually. Research will be conducted to develop reports on a quarterly and monthly basis.

Data Verification

Reporting data will be reviewed by management, OFM, and Internal Audit.

321.06 Motor Vehicle Management

The Division of Motor Vehicle Management monitors the state fleet on vehicles and equipment on a day to day basis and is responsible for insuring that the fleet is properly maintained and operated.

Statutory and Constitution Objectives

Tennessee Code Annotated (TCA) 4-3-1105, Section 10 requires Motor Vehicle Management (MVM) to study the use of state-owned vehicles and equipment and to establish rules and regulations for the housing, repair, and operation of such units.

Mandated and Optional Services and Means of Providing Them

MVM operates (TCA 4-3-1105) a Dispatch Fleet of vehicles for use by certain state employees. This reduces expenditures to the state by offering affordable short-term transportation instead of reimbursing employees for utilizing their personal vehicles.

MVM is responsible (TCA 4-3-1105) for the purchase and maintenance of the State Fleet of Vehicles and Equipment for all state agencies with the exception of the Department of Transportation (TDOT) and other select agencies. This includes purchase, monitoring and reporting on Alternative Fueled Vehicles, and adherence to the Federal Clean Air Act for Metropolitan Areas of greater than 250,000 in population.

The DUI/DOR Vehicle and Disposal service (TCA 55-10-403k(1) is responsible for the transporting, storage and removal of vehicles seized by the Department of Safety for Driving Under the Influence (DUI) or driving on Revoked License (DOR).

Performance Standards

1. Provide requested regular dispatch sedans to meet agency demands at an efficient cost.
2. Reduce costs to the state by disposing seized units.

Performance Measures

1. Operate the regular dispatch sedan at a cost of 21 cents per mile.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
$0.21/per mile	$0.21/per mile	$0.21/per mile

2. Decrease the number of days required to dispose of seized units.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
233 (avg. cost $730)	233 (avg. cost $ 730)	233 (avg. cost $ 730)

Obstacles to Meeting Objectives and Delivering Services

With the reduction of permanently assigned vehicles to the using agencies, the Dispatch Fleet may not have enough vehicles available to meet agency needs.

For the State Fleet of Vehicles and Equipment, acquisition costs for alternative fueled vehicle is significantly higher than gasoline powered units. There is also no infrastructure for establishing fueling locations for these vehicles.

Within the DUI/DOR Vehicle and Disposal service, seized units are involved in a long court process with appeal time, which often causes the charges incurred to exceed the value of the vehicle.

Means of Overcoming Obstacles

Increasing the Dispatch Fleet by 50 units will accommodate customer requests and reduce the personal reimbursable miles paid to state employees.

The State Fleet of Vehicles and Equipment will pursue having federal mandate concerning alternative fueled vehicles stayed for the State of Tennessee until an appropriate fueling infrastructure can be established.

The DUI/DOR Vehicle and Disposal Program will work with the Department of Safety to lower court processing and appeal time and to process cases in a more timely manner.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars and interdepartmental revenue, and receives no direct federal funding.

Means of Avoiding Unnecessary Costs and Expenditures

Motor Vehicle Management researches market trends and tests new products in an on-going attempt to provide the most economical maintenance cost to agencies. MVM competitively bids all repairs in an attempt to obtain the lowest repair cost as possible when the unit cannot be repaired at a state repair location.

Future Challenges and Opportunities

Dispatch Fleet units tend to remain in service longer, thereby increasing maintenance cost and lowering the resale value.

Performance Data Standards

Reports are currently generated annually. Efforts will be undertaken to develop the reports at least quarterly and possibly monthly.

Data Verification

Reporting data will be reviewed by management, OFM, and Internal Audit.

321.07 Property Management

Property Management (PM) has the responsibility for operating and maintaining buildings, facilities, and grounds assigned to the state's Facilities Revolving Fund (FRF). The FRF consists of approximately 135 state-owned buildings and 384 leased buildings, which are sub-structured into complexes with appropriate facility management staff assigned to each complex. Basic services, tenant requested services, and outside contracted services are all managed by the specific PM complex staff within the administrative oversight of the home office staff.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1104(a)(6) creates the "property management division" and various provisions of TCA 4-3-1105 establish powers and duties of the division.

TCA 4-3-1104 requires the division to supervise the maintenance of public buildings, including the State Capitol, Capitol annexes, and Capitol grounds. It directs the division to supply furniture and fixtures to these buildings and exercise general custodial care of all real property of the state.

The Department of Finance and Administration has assigned operational and maintenance responsibilities under the Facilities Revolving Fund, pursuant to TCA 9-4-901, to the Property Services Management Division of the Department of General Services.

Mandated and Optional Services and Means of Providing Them

In conjunction with TCA, the Department of Finance and Administration has mandated that Property Management is responsible for providing all necessary labor and materials to operate and maintain the various buildings, facilities, and properties assigned to the state's Facilities Revolving Fund. As part of that mandate, Property Management either provides in-house labor to accomplish the necessary services or, based on various management factors, such as cost, timing, and availability, those services can be, contracted to an outside contractor in which case PM is responsible for managing the contract.

Optional services for Property Management includes work order requests from facility tenants. PM provides these optional services in the same manner as the normal, daily services, by either providing in-house labor or contracting for outside labor services.

Performance Standards

Property Management will implement a Tenant Satisfaction Survey to establish a baseline for performance quality.

1. Maintain preventative maintenance schedule.
2. Achieve tenant satisfaction.
3. Maintain buildings/grounds at a low price.

Performance Measures

1. Perform 95% of preventive maintenance on schedule.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

2. Provide excellent service to tenants at a rate of 90%, based on survey.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	90%

3. Maintain buildings at a rate of no more than $0.94/sq.ft (indirect).

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
$0.94	$0.94	$0.94

Obstacles to Meeting Objectives and Delivering Services

Tenant work orders not directly related to the pertinent maintenance and operation of the FRF facilities takes valuable staff time from normal, required work.

Information management systems are not up to the department's preference, and many tracking methodologies are outdated.

Means of Overcoming Obstacles

Place restrictions on tenant work orders in order to allow concentration of staff man-hours on normal daily workloads.

More targeted, timely analytical reports from such entities as the on-line work order management system (FIMS), utility tracking system (FASER), and other available systems would provide information to resolve problems more quickly and make better management decisions.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Property Management will conduct research to identify any federal grant dollars that may be available for functional work.

Means of Avoiding Unnecessary Costs and Expenditures

Property Management will restrict overtime usage and use of flexible scheduling. It will also curtail, as much as possible, the scheduling of tenant work orders. The program will continue the managerial review of labor operations to allow cost efficient adjustments on a timely basis.

Future Challenges and Opportunities

FRF buildings are aging and will require more extensive and costly maintenance, thereby increasing the need for an adequate, properly trained staff. Any additional facilities or grounds assigned will also impact the labor need.

Replacement of the present on-line work order management system (Facilities Information Management System – FIMS) with a modern, user-friendly system would provide more efficient and effective tools for managing labor and material resources. This on-line program is not user-friendly, very difficult to work with, and does not provide the appropriate outputs and reports to serve as a useful management tool. It is housed on the state's mainframe and is expensive to operate.

Performance Data Schedule

Reports are currently generated annually. Research will be conducted to develop reports at least quarterly and possibly monthly.

Data Verification

Reporting data will be reviewed by management, OFM, and Internal Audit.

Interdepartmental Support Services

321.02 Postal Services

Postal Services is responsible for providing centralized incoming and outgoing mail services to all state departments, institutions and agencies located at the State Capitol, except those exempted by the Commissioner. The program contains the following sections:

Incoming Mail is responsible for the sorting, delivery and pick-up of U.S. Mail and interoffice messenger mail for all state departments, institutions and agencies located in Nashville, Davidson County.

The Contract Station Post Office is operated by written agreement with the United States Postal Service (USPS). This station operates in accordance with all applicable USPS rules and regulations. Services include the sale of money orders and stamps, preparation of foreign mail, Express and Priority Mail and numbered articles; registered, certified, and insured.

Outgoing Mail Services provides centralized postage metering, inserting, pre-sort and ground service shipping for all state departments, institutions and agencies located in Nashville and Davidson County.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1105 (5) requires the department to establish, maintain and conduct a central mailroom, centralized postage metering, and centralized outgoing mail services for all state departments, institutions and agencies located at the State Capitol, except those exempted by the Commissioner.

Mandated and Optional Services and Means of Providing Them

Postal Services provides the following mandated services:

Conducting a central mailroom requires Mail Clerks and Mail Techs to sort all incoming U.S. Mail, all interoffice messenger mail, and prepare it for delivery. Departments receive service one to five times daily. Messenger mail picked up from routes is returned to the mailroom for sorting and delivery on the next scheduled delivery. U.S. Mail picked up at departments is forwarded to the outgoing mailroom for processing. Mail is transported in cargo vans on scheduled routes. These routes extend to a 38-mile radius of the central mailroom and encompass 718 stops daily.

Conducting centralized postage metering and outgoing mail services requires Mail Techs and Mail Clerks to process all outgoing letters, flats and parcels for delivery by the United States Postal Service or United Parcel Service. Mail to be processed is delivered to Outgoing Mail Services by Incoming Mail personnel, customer agencies and the Office of Information Resources data center staff several times daily. Letter and flat mail that is already in envelopes is metered with appropriate postage. Eligible letter mail is then sorted by ZIP code and bar-coded to qualify for postage discounts. Letters, checks, forms and other documents delivered as printed matter are folded and inserted into envelopes, metered, sorted and bar-coded in order to qualify for postage discounts. Parcels not specifically designated as first class mail are shipped at the less expensive ground service rates through Untied Parcel Service (UPS).

The sale of money orders, stamps, numbered articles and Express and Priority Mail are mandated by virtue of the agreement with the United States Postal Service. Services are provided over the counter similar to a window clerk set up in a branch post office. The agreement between the U.S. Postal Service and the State of Tennessee states that the contractor shall staff the unit with sufficient personnel to provide the following services: stamps, acceptance of regular domestic mail, money orders, registered mail and certified mail. For FY 2003, total sales included 48,800 stamps, 1,540 Priority mail pieces, 110 Express mail pieces, 1,893 money orders, 470 registered/certified mail pieces.

Delivery of inter-office messenger mail cannot be provided by the private sector. Federal Private Express statutes establishes the right of the U.S. Postal Service to carry mail and only makes exception for mail carried by your own employees. The U.S. Postal Service could provide delivery of U.S. Mail, but service would be bulk delivery to a building and provided only one time per day. Employees from each agency within a building would have to sort and deliver mail to individual units and floors. There would be no provision for pick-up of outgoing mail or interoffice messenger mail.

Receipt of all mail to a common distribution point facilitates early morning deliveries to agencies. Mail is received in Postal Services at 5:30, 8:00, 8:30 and 11:30 AM each business day. Under the current method, agencies receive larger quantities of mail earlier in the workday. This is particularly beneficial for checks relative to timely deposits. The same staff also provides

messenger mail service and pick up of outgoing mail for application of proper postage. This negates the need for agencies to purchase mailing machines, scales and lease postage meters. Service is available for multiple delivery/pick-ups, morning and afternoon.

We have the ability to journal voucher a customer agency for numbered articles such as certified mail or for Express Mail. Without the contract station, state agencies would be required to travel to the nearest U.S. Post Office and obtain such services on a cash only basis.

All outgoing mail services are available from the private sector. However, no one vendor has the capability to provide all services or handle the large volume of mail generated by the State of Tennessee. The current method of providing services is the best and most cost effective method. Centralization negates the need for individual agencies to operate and maintain production mail equipment such as mailing machines, postage meters, inserting machines and sorting and bar-coding equipment. All mail is processed in a secure environment at the lowest possible cost. Commingling all agencies mail benefits smaller agencies whose volume is below the minimum quantity to be eligible for postage discounts. The process of pre-sorting and bar-coding first class letter mail saved the state over $2,266,470 in FY 2001-2002. Since its inception this process has saved $19,246,153.

An optional service is the handling of packages deemed to be of a personal nature to state employees and not related to state business. This service provides the point of pick up for such packages and the return to sender of any packages not picked up in the allotted time frame.

Incoming Mail personnel also screen all incoming mail to identify any mail pieces suspected of posing a threat. Mail that exhibits suspicious characteristics is handled according to Homeland Security guidelines. Suspicious mail and packages are x-rayed to determine content. While not mandated by statute, this service protects the health and safety of state employees and citizens.

Performance Standards

1. Maintain low cost per piece of mail.
2. Deliver U.S. Mail received on the first dispatch within the same day.
3. Sort and deliver Interoffice Messenger Mail within 24 hours of pick-up from sender.
4. Meter proper amount of postage on letter and flat mail.
5. Sort and bar code letter mail by 5:00PM daily.

Performance Measures

1. Cost per piece to process 59,161,711 pieces of mail including all applicable postage, add-on fees and administrative costs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
25.6 cents	25 cents	25 cents

2. Deliver 95% of U.S. Mail received on first dispatch on the same day.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
90%	95%	95%

3. Sort and deliver 100% of Interoffice Messenger Mail within 24 hours of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004–2005)
100%	100%	100%

4. Meter proper postage on 95% of letter and flat mail daily.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
70%	90%	95%

5. Sort and bar code 100% of letter mail daily.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

Unusually high volumes of mail, such as the next business day following a holiday period, temporarily reduce the ability of Postal Services to meet its standards.

Heightened security requires additional time to screen or x-ray mail and causes delays in gaining access to buildings where the mail must be delivered.

Postal Services encounters printed matter and envelopes that are out of specification or not compatible with mailing machines or inserters, which causes delays for the staff.

Delays in the receipt of additional forms or brochures to be inserted with a scheduled job sometimes occur, hampering the ability of the office to meet its standards.

Variations of the size and weight of flat mail often requires manual handling.

Means of Overcoming Obstacles

Postal Services staggers employee work hours to bring in more employees early to provide larger window of available sort time and communicates with customer agencies to schedule large volume jobs.

The program continually trains employees in recognizing characteristics of suspicious mail and communicates with Facility Administrators on any deviation in delivery schedule to ease access to the building.

By working with customer agencies, such as the Data Center and Printing, Postal Services ensures proper specifications and compatibility with production mail equipment. Purchasing is used to contract specifications for bond paper and envelopes.

Printing or outside vendors should be advised of production schedule to ensure the timely delivery of materials needed to complete a job.

Postal Services will instruct agencies on standard sizes of envelopes and maximum capacity and use weigh on the weigh technology to adjust postage rate based on weight.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The United States Postal Service compensates the program $761.47 per month or $8,900.04 annually for operation of the Contract Station. The program will continue to seek jobs from local government, such as the processing of property tax assessments for Williamson County.

Means of Avoiding Unnecessary Costs and Expenditures

Postal Services is reviewing its route structure to eliminate mail stops beyond the standard morning and afternoon delivery/pick-up that are low in volume to the extent that the cost of service would exceed the value received by the customer agency.

Continue to evaluate equipment usage and surplus any equipment which is obsolete or for which mail processing could be shifted to other equipment. This equates to a reduction in expenditures for maintenance and supplies. Three inserters were surplused in February 2003.

Evaluate use of overtime for processing checks for Labor and Workforce Development and Human Services on some state holidays.

Future Challenges and Opportunities

Postal Services continues to evaluate options to resolve the issue of multiple addresses for state buildings. The U.S. Postal Services database used for sorting mail only carries one address and ZIP code for a particular building location. The State of Tennessee utilizes a series of unique ZIP codes. This sometimes results in departments located in a common location utilizing different ZIP codes. This can result in misrouted mail or delays in delivery.

Postal Services is exploring a means to effectively automate the sort process for incoming mail. Currently, this is a manual process. A resolution to the aforementioned addressing problem is prerequisite to determining hardware and software needs to accomplish this objective.

The U.S. Postal Service has mandated that all postage meters be digital by 2006. The net affect on General Services will be the need to replace 10 mailing machines and 10 postage meters in metering, and eight meters on inserters. The digital meters will not be compatible with the current mail management system; therefore it will all need to be replaced.

Performance Data Schedule

Incoming Mail reports data relative to number of pieces received and percentage sorted and delivered on time on a weekly basis.

Contract Station financial reports are prepared daily and available for inspection. A detailed report is prepared monthly for Internal Audit. A summary is sent to State Audit each month.

The Mail Management System and Tracking System capture data relative to performance measures for Outgoing Mail on a daily basis. In addition, physical counts of work on the processing floor are done at the end of each day. This data is reviewed on a daily basis for purposes of measuring performance, reconciled with monthly accounting reports and is compiled monthly in report form.

Data Verification

Incoming Mail performance data is verified by determining the number of pieces received on each dispatch and the number of pieces sorted and delivered on a daily basis.

Outgoing Mail data is verified daily by reconciling data from the Mail Management System with readings from postage meters and inserters, as well as physical inventory of work on the processing floor. Data from the Job Tracking System is compared to data from the Mail Management System by job number.

321.09 Printing

The Printing Services program is responsible for meeting the in-house printing needs of Tennessee State Government. The primary function is to provide for the printing of forms, manuals, brochures, newsletters, news releases, annual reports, letterhead stationery, envelopes and Kraft mailers, training materials, posters and other publications on a timely basis and at competitive rates. Other vital services that support the printing function are design and layout of such material, technical consultation and development of specifications, cost estimation and service to state agencies in matters pertaining to forms and publications approvals.

The program meets this responsibility through:

Administration
Printing, Copying and Binding Services
Pre-press and Graphic Arts Services
Photographic Services.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-1103 requires the department to coordinate and administer the state's printing services, and additional support services which are not assigned by law to specific departments.

TCA 4-3-1104 establishes the creation of the Printing Division and TCA 4-3-1105 (11) requires the centralization of such services as mimeographing, duplicating, addressographing, copying, typesetting, copy preparation and binding.

Mandated and Optional Services and Means of Providing Them

Central Printing offers three services; two are required to fulfill the mandate by TCA, while the third service is optional.

Printing, Copying and Binding Services are a statutory responsibility (TCA 4-3-1104) of the program in meeting the overall printing needs of state agencies. Customer orders are received, specifications are developed, raw materials are purchased, technical production processes applied and a physical, printed product is delivered.

Pre-press and Graphic Arts Services are required to support the basic printing function. Due to the "manufacturing" nature of any printing process, the actual printing press operation requires pre-press and/or graphic arts work be performed first. Design work must often be completed in preparing all original copy elements for subsequent printing purposes. As graphic design elements are approved, film and plates are made imposing printed images for press production.

Photographic Services is an optional service. A small photographic staff consisting of two state photographers and an administrative assistant schedule numerous photo assignments from various state officials in the Executive and Legislative Branches. These services include on-location and studio photography, portraiture, industrial and recruitment photography and general photojournalism.

Printing, graphics and photographic services can be provided through the private sector from a number of companies. However, there are many reasons for the state to operate an in-house printing center. The program provides an immediate response to many agencies critical printing needs. The customer service staff provides consultation on a wide variety of printing related subjects, as well as security for critical, media sensitive items such as annual reports, budget documents, special reports, news releases and recruiting information. The program offers a "one-stop shopping" service for state agencies through which their publications can be designed, specifications written, printing accomplished and a quality cost-effective product delivered. Finally, Central Printing is very cost competitive. In price comparison studies, many of the prices charged by the Printing Division are lower than those charged by the private sector.

Performance Standards

1. Maintain high level of customer satisfaction.
2. Deliver customer print requests on time.

Performance Measures

1. Achieve a 95% Very Satisfied to Extremely Satisfied customer service rating.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

Achieve a 95% on-time delivery rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

Obstacles to Meeting Objectives and Delivering Services

The printing industry is always in change. Central Printing operates with nearly 30 major pieces of pre-press, printing, copying and binding equipment. The average age of this equipment is 12 years with several pieces over 20 years old. As the age of this equipment continues to increase, maintenance costs will rise, breakdowns will increase, and the program will lose opportunities to improve or maintain current performance.

Loss of service requests occur because there is a perception among agencies that "it takes too long for state printing to complete service requests" and that "it can be done faster commercially." This is not true for the majority of the requests. The perception stems from the fact that agencies are required to obtain a publication authorization number, as well as interagency approvals, before submitting service requests for printing. Often, these perceived roadblocks take longer than the actual completion time. There are instances where agencies will contract with commercial vendors just to avoid their own internal approval and publication authorization processes. Such loss of requests hurts the program in operating efficiently.

Central Printing is located in the basement of the Andrew Jackson State Office Building in an area originally designed for storage. The program is hampered from performing at its highest level because the space was not designed to house a printing operation. For example, the production operation must purchase smaller equipment because all equipment installed must be small enough to fit on a freight elevator. Larger equipment could operate more efficiently.

Means of Overcoming Obstacles

Central Printing needs additional resources in order to replace equipment and to keep pace with the technological needs of state agencies, and must include such expenditures in its 2004-2005 Budget Request.

To address the misperception of the time it takes to complete service requests, a marketing effort explaining the process of obtaining departmental and publication authorization approvals and average completion schedules for printing will be undertaken.

In addition, attention should be given into relocating printing operations into a street-level facility designed to house a printing operation.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Central Printing does not receive federal or non-state appropriations or funds as a source of revenue. To maximize non-state sources of revenue, the program may be able to market to non-profit agencies and local and county governments. While this may increase service requests and revenue to some degree, it is not seen as a major source of revenue.

Means of Avoiding Unnecessary Costs and Expenditures

Central Printing engages in constant management reviews of all areas of operation and maintains a documented history of expenditure reduction to avoid costs. Price studies compare the program to the commercial printing market. These studies serve to check the prices charged and helps cut expenses to remain competitive.

The Photographic Services section is an optional service offered by the Printing Division and is not central to its overall mission. Photographic Services currently counts for approximately $250,000 in annual expenditures.

Future Challenges and Opportunities

The printing industry is in a constant state of change. Computerization has now replaced many of the skilled craft positions long held by experienced operators. Today's employees must be more computer literate to keep up with the operation of more sophisticated equipment. Existing employees must be retrained and new employees that understand computers must be hired.

Central Printing does not receive appropriated funds; it depends on service requests from state agencies.

State agencies are not required to exclusively utilize the program's services; instead, they are free to obtain competitive bids from commercial printers.

To meet the increasing demands of state agencies and to remain competitive to the commercial printing market, investing in new technology and equipment is necessary.

Performance Data Schedule

Reports are generated annually. Research will be conducted for the possibility of developing quarterly and monthly reports.

Data Verification

Central Printing assigns a sequential tracking number (or Job Number) to every service request received by state agency customers. This unique tracking number accompanies each request throughout every production process, capturing time and materials expended in completing the request. It serves as the documentation for costing and billing, and becomes the audit trail for everything the program does. Summary information from collections of these tracking numbers is manipulated by PICAS to provide management reports.

All information gathered by PICAS is available to any state official and is subject to the stringent review of the Department of General Services, Internal Audit Division and/or State Audit.

321.10 Purchasing

This program is the central purchasing authority for goods and certain services. It has the authority to enter into contract on behalf of other state executive agencies by issuing awards to the lowest capable bidder utilizing the competitive bid process.

The program is responsible for competitively bidding and administering statewide contracts (262) and agency term contracts (648); delegation and overview of purchase authority to agencies based upon commodity, dollar amount and time (134); competitive bidding of one time procurements greater than $2,000 (1105); and, review of agency small value procurements.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 12-3-107 requires the Commissioner prescribe the manner in which supplies, materials, and equipment shall be purchased, delivered, stored and distributed. It also directs the department to include bids from small and minority businesses when possible.

There are several statutory requirements within TCA 12-3 that specifically define the purchasing process or manner.

Mandated and Optional Services and Means of Providing Them

Purchasing, in accordance with its mandated duties, certifies sources of supply and the contract price and engages in periodic review of delegated purchasing authority.

Purchasing also provides assistance to small businesses and minority owned businesses in complying with procedures for bidding on state contracts; and actively solicits bids from these businesses whenever possible.

As an optional service, the Tennessee On-Line Purchasing System (TOPS) was installed in 1989 on the state's mainframe. It is the backbone of the entire procurement process in an automated environment and is critical to providing a linear process and timely information where reporting is mandated and enforcing business rules required.

Performance Standards

1. Establish term contract for state procurement needs.
2. Process one-time procurement requisitions greater than $2,000 timely.
3. Utilize small businesses and minority owned businesses for a minimum goal of 25% of state procurement needs.

Performance Measures

1. Establish term contract for 68% of state procurement needs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	68%	68%

2. Process one-time procurement requisitions greater than $2,000 in less than 30 days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	100%	100%

3. Use of small and minority-owned businesses for state procurement needs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	25%	25%

Obstacles to Meeting Objectives and Delivering Services

None

Means of Overcoming Obstacles

Not Applicable

Means of Maximizing Federal and Other Non-State Sources of Revenue

There are no federal revenues received directly by Purchasing.

The division presently utilizes a cost per document method for recouping cost for the division's services. Purchasing could utilize a percentage cost based on the dollar amount of the user order; where the more the user agency has to spend, the more the user agency would pay to the program for services.

The program could charge companies a yearly registration fee in order to do business with the state. A variation is to charge a fee for anything above the base services provided.

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

ERP is an off the shelf type system that is normally accounting rule driven. It will be a challenge finding a system that will meet the Purchasing requirements as well as interface within Finance and Administration's Enterprise Resource Planning (ERP) project. Purchasing actively participated in the ERP, and when implemented, the purchasing component is scheduled to be included in year three.

If TOPS remains the system for state procurement, keeping it up and running may prove to be a challenge. If TOPS should fail there is no automated back-up. A funding mechanism to save some monies yearly for replacement that could accumulate over the life of a new system could provide the base funding for replacement of TOPS. This would be similar to the process Finance and Administration, Office of Information Resources and General Services, Motor Vehicle Management uses for replacement costs.

The present solicitation process utilizes great quantities of paper. Direct costing for paper, print, sorting, envelopes, postage and the associated labor could be avoided or greatly reduced by utilizing an electronic method. Notifying registered bidders by email and allowing a download of a solicitation via the internet should be available in the near future with a TOPS enhancement. A manual process will still be required for the bidder registration, actual bidding, bid tab entry, and issuing purchase orders or term contracts.

Performance Data Schedule

Reports are generated annually. Research will be conducted for the possibility of quarterly and monthly reports.

Data Verification

TOPS reporting will be reviewed by management, OFM, and Internal Audit for accuracy.

321.17 Records Management

This program serves state agencies by providing effective and comprehensive records management services that include organizing, protecting, providing access to, and properly disposing of state records, including the transfer of historical records to Library and Archives. Additional services provided by the program include the development, approval and management of State forms and publications. Records Management is made up of the following sections: Records and Forms Management, Records Center Operation, Publications Management, and Micrographics/Imaging Services

Statutory and Constitutional Objectives

The Public Records Act (Tennessee Code Annotated 10-7) established the Records Management Division of the Department of General Services as the primary records management agency for state government, and as such is responsible for the disposition of all records generated within Tennessee government.

The Paperwork Reduction and Simplification Act of 1976, TCA 4-25-101 through 108, provides a framework for the management of forms within state government.

TCA 12-7-101 through 206 requires Records Management to carry out the administrative functions of the Publications Committee. As the administrative arm of the Publications Committee, Tennessee Code requires the program to establish rules and regulations to control the

costs and quantity of all publications, and to promulgate rules and regulations governing the printing and distribution of state publications.

Mandated and Optional Services and Means of Providing Them

Records Management uses its Records and Forms Management service, its Records Center Operation service, and its Publications Management service to carry out specific functions relative to their recognized responsibilities. The development of retention schedules, training programs, consulting services for records management activities, the development and enforcement of rules and guidelines for state forms, and the control of cost and proliferation of state publications are in direct compliance with Tennessee statutes.

The Micrographics Section is an optional service. However, a number of agencies are required to maintain some records for a long period of time and in some cases permanently. Microfilming is the best medium for preserving records permanently or for a long period of time. It is more economical for one agency to provide all micrographic and imaging services than it is for all agencies to have their own micrographics operation, or for agencies to have the service provided by a commercial vendor.

Performance Standards

1. Provide storage, retrieval, and disposal services for state's inactive and semi-active records at a low cost.
2. Preserve documents through digital imaging, microfilm, and roll film.

Performance Measures

1. Store and preserve 93,000 records.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85,000/$8.60 per cu ft	90,000/$8.60 per cu ft	93,000/$8.60 per cu ft

2. Documents preserved through digital imaging, microfilm, and roll film.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
4,097,700	5,097,750	5,500,800

Obstacles to Meeting Objectives and Delivering Services

Reduced funding for travel, training and micrographics hamper the program's ability to fulfill its objectives.

Means of Overcoming Obstacles

One method of overcoming the reduction in funding for travel is to provide more training classes in Nashville. This will reduce the program's cost, but will increase training costs for agencies that must send individuals to Nashville for training. In the long term, an interactive training module needs to be developed to allow individuals across the state to participate in training classes from their personal computers.

One way of dealing with reduced funding for micrographics is to work with TRICOR to reduce the rate charged for document preparation, which is a major cost in microfilming and imaging operations.

Means of Maximizing Federal and Other Non-State Sources of Revenue

One way of maximizing non-state sources of revenue is by expanding records management services to surrounding counties and municipalities. For example, unused storage space could be made available for counties and municipalities use for a fee. Records would charge county and municipal governments for services provided by the micrographics operation, i.e., film development, duplication of film, converting records to compact disk, etc.

Means of Avoiding Unnecessary Costs and Expenditures

Consistent efforts will be taken by the program to review all operations and available reports to eliminate unnecessary costs and expenditures.

Future Challenges and Opportunities

The greatest challenge is the development and implementation of a comprehensive records management program that will effectively address all records to include electronic records. The need within state government is being driven by the advent of more computer systems within the state infrastructure and by federal requirements. Agencies that receive federal dollars and are required to comply with federal requirements will be required at some point to maintain their records in an electronic records management system.

A records management facility is likely necessary that will provide for the storage of important documents and electronic records in a protected environment where they can be stored without fear of destruction in the event of a major catastrophe.

Performance Data Schedule

Reports are generated annually. Research will be conducted to develop quarterly and monthly reports.

Data Verification

As data is collected and submitted on a monthly basis, activities performed by the staff will be verified by official documentation that is required for certain functions. In addition, activities can be verified by reviewing time allocation data provided by each employee.

321.18 Central Stores

Central Stores is the state's One Stop Shop for products used in the office and in the janitorial operations for state agencies. The program purchases, warehouses, and distributes statewide approximately 900 different office and janitorial products, computer accessories, headsets, telephones and related accessories.

Statutory and Constitutional Objectives

Not Identified

Mandated and Optional Services and Means of Providing Them

There are no mandated services required by law. There are two optional services provided by Central Stores for their customers, state agencies.

Providing quality products at the most competitive pricing is accomplished by working with Purchasing to formulate specifications that ensure quality products are added to statewide contracts that are then competitively bid to obtain best pricing. Cost comparisons and quality studies are conducted on various delivery methods to obtain the best service at the lowest cost.

Central Stores offers a service called Agency-Owned Forms for many state departments and agencies. Departments that use this service are responsible for buying their forms, pamphlets, and envelopes based on a suggested reorder schedule furnished to them by Central Stores. Those items are then shipped directly to the Central Stores warehouse from the vendor. Central Stores receives, warehouses and distributes them statewide to the customers along with those customer's regular order(s) of office products from Central Stores.

The warehousing and distribution of agency-owned products is a vital service provided to state agencies by Central Stores. An objective, since the program was first created, is to reduce costs to state agencies by eliminating the duplication of warehousing of forms within state departments.

Performance Standards

1. Fill orders received by Central Stores.
2. Attain 'Very Satisfied' to 'Extremely Satisfied' customer service rating on services.
3. Turnover inventory often.

Performance Measures

1. Achieve an order fill rate of 85%.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85%	85%	85%

Achieve a 95% Very Satisfied to Extremely Satisfied customer service rating.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	95%	95%

2. Turnover inventory at least 7 times annually.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
7	7	7

Obstacles to Meeting Objectives and Delivering Services

Since 1993, Central Stores has had to use the stores module of a software program that was designed and purchased by the state to monitor building maintenance costs. The program, FIMS (facility management information system) is antiquated and was not designed to be a user-friendly, retail type, stores inventory control and order system. Processes such as the receipt of merchandise into the warehouse, products counted manually during inventory counts, and purchase orders have to be keyed into FIMS after being keyed into TOPS because FIMS does not interface with either data collector equipment or with the state's purchasing system (TOPS), leaving great margin for human error.

Additionally, Central Stores must provide services to customers that do not have access to the State's 3270-mainframe system and cannot place their orders electronically. The customer must visit the web site, locate items needed, fax or email the list to Central Stores. The customer's order must then be keyed and manually billed. The new TESS system is web based and should resolve this issue.

Because of the inability to retain staff, Central Stores has resorted to using inmate labor to perform basic warehouse functions. This in itself is a problem because of the unreliability a daily workforce. However, without this labor force, Central Stores' overhead would go up as higher salaried staff members would have to be hired to fill and pack orders in the warehouse. This causes productivity in the warehouse to fall, resulting in slower and less efficient service to customers. Some combination of the staffs is the most effective and efficient.

Means of Overcoming Obstacles

The immediate means of overcoming Central Stores' obstacles is the implementation of the new, web-based ordering and retail warehousing and inventory system, "TESS"-Tennessee electronic Supply System. Because of funding issues, the purchase of the software was delayed until recently. Once implemented and on-line, those customers, both existing and potential, who do not have access to the state's 3270 mainframe will be able to access TESS via the internet and place

their own orders. Also, Central Stores has recently acquired the ability to accept credit card payments from those customers which will eliminate the need for manual billing.

The electronic processes will be improved in the new system, such as verification of delivered product and automated receipt into the system using data collector scanners, on-screen guides instructing customers how to place orders, automated merchandise return, pulling and verifying orders using data collector scanners. These will result in both improved response time and overall efficiency in resolving customer issues and costs savings for customers.

Central Stores must continue to find ways to motivate staff without merit raises and find ways for staff to work smarter. For example, cross train employees in the picking room to work in customer service and the procurement staff to work in the picking room.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Central Stores does not receive federal or non-state appropriations as a source of revenue. Over the past few years, however, it has, intermittently, had some revenue from sources such as Board of Regent schools, University of Tennessee schools and local or county agencies. Central Stores plans to maximize this non-state source of revenue and once the new electronic inventory and order system is implemented, begin marketing it's services to the Board of Regent and UT schools, to qualified non-profit agencies, and to local and county governments. This may become a source of new revenue.

Means of Avoiding Unnecessary Costs and Expenditures

Central Stores routinely conducts management reviews of all areas of the operation to determine ways to reduce cost and/or to bring efficiencies to the operation. There are monthly reviews of operational expenses to maintain control and to ensure that expenditures are necessary. Procedures are in place and reviewed often to ensure cost effective delivery of orders to customers across the state.

Because of the organized order and delivery schedule, Central Stores is able to consolidate orders. Delivery routes are established and reviewed often for the most efficient use of time by the delivery staff and avoid backtracking. For instance, all orders to be delivered to the same building are staged together and the trucks are loaded so that the first delivery of the day is the last loaded on the truck.

Future Challenges and Opportunities

Central Stores must become technologically efficient in order to continue to provide services to state agencies in a cost effective and efficient manner. To do that, it must implement its new software and it must either buy or develop a package tracking system. In the next few years, Central Stores will need to be aware of and implement any new warehousing technologies in the industry that will continue to build its efficiencies.

Central Stores must also build the customer base while continuing to maintain its existing customer base. Marketing strategies must be developed and excellence in customer service training programs must be provided for staff.

Performance Data Schedule

Reports are generated annually. Research will be conducted on the possibility of developing quarterly and monthly reports.

Data Verification

Reporting data will be reviewed by management, OFM, and Internal Audit.

321.19 Food Services Program

Comprehensive Food Services (Tennessee Cook-Chill) is responsible for the production of a variety of foodstuffs utilized by 32 receptor sites across the state in the feeding of their populations. The program is also responsible for the bidding of all meat products as well as a variety of canned fruits and vegetables for these receptor sites. Cook-Chill supplies over 15 million pounds of food annually to the Department of Corrections, Children's' Services, Mental Health /Developmental Disabilities, and Education. Their combined total meal count approaches 20 million meals annually. Training in safe food handling and sanitation is also provided.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Chapter 12 requires the Department of General Services to establish methods for procurement, sources of supply, and receipt, storage, and issuance of all products. Food Services is also a U.S.D.A. inspected facility and must comply with their rules and regulations for food factory preparation.

Mandated and Optional Services and Means of Providing Them

The Board of Standards Policies and subsequent policies of the Department of General Services mandate the utilization of this program and establishes the guidelines for the production of various foodstuffs.

Training is a requirement of the user department's accreditation standards, such as the American Correctional Association and the Joint Commission for Accreditation of Health Organizations. Cook-Chill offers training either at the training center, or at each receptor site. Serving unsafe food is not an option; therefore, Cook-Chill also provides training in safe food handling utilizing the SERVSAFE Program. This program is approved by the Health Department and covers food preparation, microbiology, allergies and contamination, temperature control, and food handling.

Tennessee Cook-Chill produces over 90 products from biscuits to stew, all pass through meat items, and a variety of canned goods for use by the 32 receptor sites.

Performance Standards

1. Provide meals to certain populations across the state at a low cost.

Performance Measures

1. Meals provided at $0.19 overhead per meal.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
19,920,000	20,200,000	20,200,000

Obstacles to Meeting Objectives and Delivering Services

Raw ingredient costs may alter usage and change in requested menus. Customer changes in diet or product acceptability may alter total sales. Overhead costs should remain fairly constant, subject to maintenance cost increases. Utility costs can also fluctuate.

Means for Overcoming Obstacles

All food service programs face the same product acceptability/cost problems that are difficult to overcome unless the customer base is changed.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Cook-Chill has leased the second shift operation of the facility to a third party entity who is producing foodstuffs for the U.S. Marine Corps. This brings in a revenue stream used to offset the regular overhead for state production.

Means of Avoiding Unnecessary Cost and Expenditures

Operations review production cycles to eliminate wasted time; instituted a master menu to streamline procurement and production capabilities. Cook-Chill has partnered with TRICOR to share the pick-up and delivery of milk and the transportation of dry goods, thereby sharing the cost, and saving on transportation costs. Cook-Chill is able to purchase in quantities that maximize savings and lower freight costs.

Future Challenges and Opportunities

The biggest challenge Cook-Chill faces is to provide an acceptable product, yet hold cost down to a minimum. Costs are always used when comparing with privatization, but quality is never addressed.

Opportunities include the potential of providing foods to third parties such as schools, hospitals or even restaurant chains, bringing in revenue to reduce the overhead.

Performance Data Schedule

Reports are currently generated annually. Research will be conducted on developing quarterly and monthly reports.

Data Verification

Reporting data will be verified through reconciliation and random sampling.

Department of Veterans Affairs

General Agency Information

The Department of Veterans Affairs serves more than one-half million veterans and their 1.5 million survivors and dependents through a statewide power-of-attorney based claims processing system. The department's Claims and Field staff is trained and accredited to work with the U.S. Department of Veterans Affairs to maximize earned entitlements and services for veterans and their families. Staff assists veterans and their families obtain educational training and retraining, health and medical services, rehabilitation, housing, employment and re-employment. The department maintains a training and certification program for county-employed service officers that contributes to veterans receiving maximum earned entitlements.

The department operates a state veterans cemetery in each grand division. Tennessee has the third highest interment workload in the nation.

323.00 Veterans Affairs

The Department of Veterans Affairs maintains 11 statewide benefits offices, three state veterans cemeteries, and the claims office to carry out services to veterans and their families.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) mandates that the Department of Veterans Affairs perform several activities relative to veterans and their families:

TCA 58-3-104 through 106 directs the department to inform veterans and their families about facilities and services available and assist them in the presentation, proof, and establishment of all claims.

TCA 58-3-111 requires Veterans Affairs to train and certify county-employed veterans service officers and TCA 46-6-101 through 104 requires the department to provide for Tennessee veterans cemeteries.

Mandated and Optional Services and Means of Providing Them

Veterans Benefits Representatives travel monthly to each county seat in their respective districts to assist with difficult cases and provide county-employed service officers training on specific issues. Claims and Field staff provide monthly, quarterly, and annual training resulting in the certification of County Service Officers. The department also maintains the statewide field offices where veterans and their families initiate contact for assistance in obtaining benefits and services.

When federal veterans cemeteries began reaching capacity, a federal construction grant program was established for states with matching funds to continue a similar service to veterans and their

families. If the state ceases to operate these facilities, the federal matching construction funds may be taken away.

The Administrative Division is responsible for initiating and coordinating public relations, legislative activities, service officer training, statistical reporting, strategic planning, outreach, and fiscal and administrative management. The department works with the U.S. Department of Veterans Affairs to enhance programs to better serve Tennessee's veterans. The Commissioner serves on the Tennessee State Veterans Homes Board, the Commission on Aging and Disability and the Military Affairs Commission. In addition, the Commissioner is a member of the State Veterans Homes Foundation, the Management Assistance Council for Veterans Integrated Service Network Region 9 and is ex-officio chair of the United Tennessee Veterans Association. Staff in the department participate in a multitude of memorial and educational activities to honor the state's veterans.

Performance Standards

1. Generate federal dollars to Tennessee's veterans from recurring state dollars spent for the claims and field divisions.
2. Maintain and operate the three state veterans cemeteries at a low cost.
3. Train and certify county-employed veterans service officers.

Performance Measures

1. Maintain return on investment of 197:1 federal dollars to recurring state dollars.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
197:1	197:1	197:1

2. Maintain per gravesite cost of $40.00 for recurring state dollars.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
$40.00	$40.00	$40.00

3. Train and certify 100% of county-employed veterans service officers annually.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

TCA 58-3-104 mandates monthly travel to each county of the state by Veterans Benefits Representatives in the 11 statewide field offices, which limits the flexibility necessary to serve the needs of the state's veterans.

Means of Overcoming Obstacles

An amendment to existing legislation changing language from “shall travel” to “may travel” would give the Commissioner necessary flexibility to maximize limited resources to manage services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal revenue is earned for the burial of eligible veterans. Current services revenue is earned for burials of eligible dependents. Federal funds are not available for maintenance at the cemetery sites.

Three field offices are housed in facilities free of charge at U.S. Department of Veterans Affairs Medical Centers in Nashville, Murfreesboro and Mountain Home. The claims office is housed in facilities free of charge at the Federal Courthouse in Nashville.

Means of Avoiding Unnecessary Costs and Expenditures

Rules of the Department of General Services’ Purchasing Division are followed to ensure proper procurement of goods and services. Monthly status reports are generated to track and control expenditures and revenue. A cost center structure is maintained to accurately track expenditures by object code in each office. The Department of Veterans Affairs is subject to audits by the Office of the Comptroller and standards established by the Financial Integrity Act are maintained.

Future Challenges and Opportunities

The aging veteran population will increase utilization of the three state veterans cemeteries. Cemetery work is labor intensive and increased services will require additional staff and equipment.

The state veterans cemeteries were built from 1990 to 1992 with matching federal funds. Lack of further federal funding and minimal state funding has held preventive maintenance to a minimum. These facilities need to have general maintenance of cleaning, re-painting, caulking, masonry re-pointing, sealing, and waterproofing to preserve their character and avoid deterioration. As the cemetery acreage is expanded, new surfaced roads and drainage projects will be considered necessary.

The estimated 10,000 headstones at the Memphis state veterans cemetery need to be reset and realigned.

Increased efficiency, tracking and reporting can be accomplished with additional technology for the claims and field divisions. Software packages are available to ensure consistency of documents, tracking of pending issues, and statistical reporting. Additional technology, such as an integrated database, will be necessary to continue serving the veterans of Tennessee.

Performance Data Schedule

Year-to-date data is collected and available on a monthly basis. The measures that are tied to expenditures are available monthly when the STARS Accounting Reports are available, which is typically 10 working days following the end of the month. Up-to-date federal award dollar amounts are available at any time.

Data Verification

Data for each performance standard is carefully examined to ensure accuracy.

Standard 1: Recurring state dollars are retrieved from the State of Tennessee Accounting and Reporting System (STARS); federal dollars recovered is provided by the U.S. Department of Veterans Affairs and entered into an agency-specific FoxPro Program.

Standard 2: Information retrieved from STARS determines recurring state dollars; burial logs generated from the U.S. Department of Veterans Affairs Burial Operating Support System confirms the number of burials.

Standard 3: Number of accreditation certificates issued by the General Counsel of the U.S. Department of Veterans Affairs.

Department of Revenue

General Agency Information

The Department of Revenue (DOR) is responsible for the administration of state tax laws established by the legislature and the collection of tax revenue associated with those laws. DOR contains the following programs:

1. Administration Division
2. Information Technology Resources Division
3. Taxpayer Services Division
4. Processing Division
5. Tax Enforcement Division
6. Audit Division

Headquartered in Nashville, DOR has state regional offices located in Columbia, Memphis, Jackson, Shelbyville, Cookeville, Knoxville, Chattanooga and Johnson City. The primary location in Nashville is in the Andrew Jackson State Office Building and a regional office located on Murfreesboro Road. The DOR also conducts business from offices located outside the borders of Tennessee. The out-of-state offices support the audit function of the Department and are located in New York, NY; Atlanta, Georgia; Chicago, Illinois; Houston, Texas; and Newport Beach, California.

The Department is a member of the Federation of Tax Administrators (FTA) and the Southeastern Association of Tax Administrators (SEATA). The FTA is a national organization and SEATA consists of the southeastern states. Tennessee is very active in its participation in both organizations.

During Fiscal Year 2002-2003, the Department collected and processed approximately $10 billion that included collections for local governments of about $1.5 billion. Sales taxes in Tennessee were initiated in 1947 and account for the largest source of revenue in the state (approximately 62% of the state taxes collected by the Department) and nearly 67% of sales tax revenues are earmarked for education.

Administrative Services

347.01 Administration Division

The Administration program provides overall policy management, support services, taxpayer hearings and investigates criminal acts for the Department of Revenue (DOR). These administrative services are provided through the Commissioner's Office, Internal Audit and Consulting, Legal Services, the Research Office, Fiscal Services, Human Resources, Special Investigations and the Administrative Hearing Office. Special Investigations also has offices in Memphis, Chattanooga and Knoxville.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 67-1-102 provides the general authority for the activities of the Administration program. The Department of Revenue is identified throughout Title 67 as the state agency with the responsibility to administer the tax laws. Specific statutory objectives relating to the Administration program are listed below:

TCA 67-1-102 identifies responsibilities and confers the powers and duties to the Commissioner of Revenue and the Department of Revenue including the power to administer and collect the majority of state taxes.

TCA 67-1-1802 empowers and directs the Commissioner of Revenue, with the approval of the Attorney General for most actions, to refund to taxpayers all taxes collected or administered by the Commissioner that are paid in error.

TCA 67-1-1802(a)(6)(B) requires the Legal Office of the Department of Revenue to review certain refund claims and make recommendations to the Commissioner of Revenue for approval or disapproval.

Numerous TCA cites specify the apportionment of taxes, by type, to state agencies and to local governments.

TCA 67-1-1801(c)(3) states that the taxpayer shall have the right to an informal taxpayer conference upon a taxpayer's timely request.

TCA 67-1-105 and TCA 4-5-301 require formal administrative hearings under the Uniform Administrative Procedures Act in certain circumstances.

TCA 47-25-308(a), TCA 57-5-409, TCA 57-5-202(c), TCA 67-4-1020 and TCA 67-4-1014(4), and Chapter 294 of the Public Acts of 2003 requires the Commissioner of Revenue to administer and enforce provisions of the Unfair Cigarette Retail Sales Act and to seize beer and cigarette contraband.

Mandated and Optional Services and Means of Providing Them

The Administration program is an amalgamation of executive oversight, internal audit services, legal services, research services, fiscal services, human resources services, taxpayer conference and hearing services and law enforcement and investigation. Many services under Administration are support oriented and are not specifically mentioned in law.

The Commissioner's Office provides executive oversight for the Department of Revenue. This office is responsible for the development and implementation of the mandated strategic plan and Performance Based Budget (TCA 9-4-5606(b) and TCA 9-4-5103(b)). Other mandated services under TCA 67-1-102 include overseeing all operations of the Department of Revenue, providing policy development and recommending legislation to the Governor on tax issues. Dissemination of information to the public is an optional service. Although not a service, all personal computers (PC) are purchased through the Administration Division to better manage the purchasing and budgeting for new and replacement personal computers.

Internal Audit and Consulting must comply with the Comptroller of the Treasury (under TCA 4-3-304(7)) and the United States General Accounting Office standards for internal audits. Optional services relate to promoting and improving internal control systems, improving operations through operational audits and acting as a liaison between the Internal Revenue Service and the Department of Revenue for the Federal/State Information Exchange Program.

The Legal section, as a mandated service, reviews and makes recommendations to the Commissioner of Revenue for certain tax refund claims (TCA 67-1-1802(a)(6)(B)). Optional services include providing legal advice, representing the interest of the Department of Revenue in tax litigation, working in conjunction with the Attorney General's Office, reviewing and drafting tax legislation and tax regulations and drafting revenue and letter rulings. Revenue rulings are non-binding and pertain to substantive application of law and procedure that affect the rights and duties of taxpayers and the public. Letter rulings interpret and apply the tax law to a specific set of existing facts as provided by the taxpayer. Letter rulings are binding but may be revoked or modified by the Commissioner of Revenue at any time.

The Research Office conducts mandated services pertaining to the study and investigation of tax laws of other states and issuance of the Biennial Report (TCA 67-1-103). This office also provides the optional service of tax research and economic analysis. This includes estimating potential revenue impacts of proposed legislation, preparing fiscal notes and developing budgetary estimates of state tax revenues.

Fiscal Services is mandated under various TCA cites to account for all tax collections, process refunds and apportion various taxes to local governments and state agencies. Accounts payable services, procurement services, building services and budget services are also provided by Fiscal Services as optional services.

Human Resources (HR) complies with various federal and state laws regarding employment including the Americans with Disabilities Act (ADA) and Equal Employment Opportunity Act (EEO). As an optional service, HR coordinates and manages Revenue's personnel activities such as hiring, training and counseling.

Although not mandated, the most important service offered by Special Investigations (SI) is the investigation of fraudulent taxpayers and tax return preparers. These investigations play a vital role in the Department's efforts to promote voluntary compliance.

Special Investigations acts on behalf of the Department to administer and enforce provisions of the Unfair Cigarette Retail Sales Act and to seize beer and cigarette contraband as required by various TCA cites. As optional services, Special Investigations enforces laws related to taxes on petroleum products, investigates alleged criminal violations by Department of Revenue employees, provides protective services for Department of Revenue employees and facilities, and investigates state property theft.

The best means of providing Special Investigations (SI) services is to properly and timely evaluate referrals and information for criminal prosecution potential. Performing well in this area means quickly withdrawing cases that will not result in prosecution or support the fraud penalty. Cases withdrawn are sent to the Division of Audit for civil assessment review. Therefore, timely case processing also helps ensure the statute of limitations for civil assessment does not expire.

SI monitors cases for early elimination of those without criminal prosecution potential. Agents and supervisors meet regularly to discuss progress on each case. After four months, the assigned

agent must prepare an internal memorandum to the Director stating that the agent is reasonably certain that the case can be closed based on current evidence with at least a fraud penalty. All pertinent documentation is placed in a database so case progress may be tracked at any time.

The Administrative Hearing Office (AHO), through licensed attorneys, conducts mandated informal taxpayer conferences on behalf of the Commissioner upon a taxpayer's timely request (TCA 67-1-1801(c)(3)) and conducts formal hearings under the Uniform Administrative Procedures Act (UAPA) when a taxpayer challenges an adverse decision relating to the issuance or revocation of certificates, licenses, permits, privileges, rights and property confiscation (TCA 67-1-105 and TCA 4-5-301).

As an optional service, the AHO conducts informal taxpayer conferences on behalf of the Commissioner even when a taxpayer has not made a timely request. Such requests are routinely granted unless only penalty waiver or interest removal is involved. Other optional services relate to making recommended compromises of tax assessments and waivers of penalties in excess of $5,000, identifying policy issues and providing informal guidance, and periodic training presentations to audit staff.

The informal taxpayer conference process offers taxpayers a second look at the tax assessment from a party independent from both the Department's Audit and Legal functions by the presentation of additional facts or by challenging the method of tax law application concerning a tax assessment made by the Department. This process allows for a less expensive and more expedient way to challenge tax assessments and reduces needless litigation.

There are no viable alternatives in providing the functions of Administration. In both the private sector and in government, it is a common practice for staff to perform support services as those undertaken by the Commissioner's Office, Internal Audit and Consulting, Legal Services, the Research Office, Fiscal Services and Human Resources. Conducting the services in-house permits better control of work, a higher degree of information security, and proper setting of priorities. For example, were the functions of the Hearing Office conducted outside the Department of Revenue, whether within another Department or through a Tax Court, the process would slow down greatly. Eliminating the ability to informally communicate within the Department and with taxpayers would require the administrative review process to be handled much more formally, which would require more resources be spent on the process. Additionally, the Administrative Hearing Officers would no longer have access to the Department of Revenue's Revenue Integrated Tax System or other administrative information. Thus, efficiency and consistency would suffer significantly.

There are no viable alternatives in providing the services provided by Special Investigations. Agents not only conduct law enforcement, but also investigate and prosecute tax evasion cases that require expertise and knowledge in accounting, auditing and law.

Performance Standards

1. Investigate and prosecute tax fraud timely.
2. Minimize taxpayer conference decisions resulting in litigation.
3. Issue taxpayer conference decisions in a timely manner.

Performance Measures

1. Close tax cases assigned to Special Investigation within 4 months or close cases older than 4 months as either fraud or prosecution.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
68.42%	75.0%	75.0%

2. Percentage of taxpayer conference decisions not resulting in litigation.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
89.5%	85.0%	85.0%

3. Percentage of taxpayer conference decisions issued within 90 days of the taxpayer conference.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
62.8%	60%	60%

Obstacles to Meeting Objectives and Delivering Services

Special Investigation's (SI) primary service is to promote voluntary compliance through the investigation and prosecution of tax fraud cases. As noted previously, the best means of promoting voluntary compliance is through the investigation of tax fraud cases and prosecution of violators. Therefore, mandated services as well as all the other optional services mentioned previously are obstacles in meeting the standard because they take time and effort away from the main service. However, these services must be performed.

Other obstacles include turnover and special agents on military leave. Historically, agents have used Special Investigations as a stepping-stone for better paying jobs with the federal government and private industry. It takes time for an agent to become fully productive. Once hired an agent's first year is devoted primarily to training. The agent's second year includes assisting other agents, working closely with more experienced agents and being assigned some of the least complicated cases.

The Administrative Hearing Office's (AHO) obstacles relate to recruitment and retention of qualified attorneys, limited AHO staff, increased demand for taxpayer conferences and increased case complexity. AHO only has three positions qualified to hold administrative hearings. Due to this small size, the absence of any attorney (e.g., illness or legislative demands) can have a significant impact on delivery of services.

An obstacle for the Commissioner's Office includes identifying problem areas based on interdivisional dependencies. The Department of Revenue is organized by function, which management believes is the optimal organizational structure for a tax agency. However, problems created in one program may adversely affect performance or workload in another area.

While considered to be a long-term benefit, the passage of the Streamlined Sales and Use Tax legislation (Chapter 357 of the Public Acts of 2003) will require all programs in the Department of Revenue to make preparations for a significant number of changes to sales and use tax laws. These changes are to be effective July 1, 2004. During FY 2004, all programs will evaluate, identify and make changes that will be essential to implementing the legislation by the effective

date. A significant number of program changes will be necessary to transition the Revenue Integrated Tax System (RITS) with regard to the law changes. Operational processes within the Department will require review and changes as well. Communication of changes to the taxpayers and tax practitioners of Tennessee will also add to program responsibilities. The essential preparation to administer the legislation will significantly add to program responsibilities and could strain resources in some program areas.

Means of Overcoming Obstacles

Special Investigations management is constantly reviewing time spent on cases, the progress of the case, how many cases are assigned to any one specific agent and making priorities based on the nature of the case. Besides the number of cases assigned, expertise in a given tax area, a specific interviewing skill and/or location of the subject business come into play when assigning a case so that the best person to do the job is assigned. Cases are sometimes reassigned to other agents in order to accomplish this task.

Special Investigations advertises in papers across the state and on the Internet to attract more qualified job applicants.

The Administrative Hearing Office overcomes obstacles by declining to hear challenges where there is no statutory right to review, scheduling taxpayer conferences for optimal results, and providing a taxpayer conference information sheet to all taxpayers requesting or inquiring about the informal taxpayer conference process. To limit turnover and enhance retention, a professional but reasonably flexible working environment is maintained. Additionally, when needing to fill positions, the Administrative Hearing Office contacts accredited law schools, bar associations and other professional organizations to advertise the position.

To deal with concerns of the Commissioner, the interdependency weaknesses must be identified and addressed horizontally rather than vertically in order to maximize total agency performance. The Commissioner will develop methodologies to monitor and address interdependency weaknesses.

Significant time and coordination will be essential for preparation to implement the Streamlined Sales and Use Tax provisions. During FY 2004, great care will be given to identifying necessary changes in the Revenue Integrated Tax System (RITS) and various operational aspects within the Department's infrastructure. In FY 2005, implementation of the changes, communication of the changes and adaptation by the taxpayers of Tennessee will require major attention.

Means of Maximizing Federal and Other Non-State Sources of Revenue

When appropriate, Special Agents perform work in conjunction with federal law enforcement agencies on criminal cases (e.g., gambling, money laundering, or illegal drugs) where there is a potential state tax liability. Federal funds result upon sale of seized or forfeited property. The money is used by Special Investigations to enhance future activities resulting in further seizures or forfeitures, law enforcement training or law enforcement equipment. There is no state match or time limit to spending the funds.

Means of Avoiding Unnecessary Costs and Expenditures

Departmental Purchasing Procedures are in place for the Administration program. All revenues and expenditures are tracked at the cost center level and are coordinated through each section's director to control expenditures and maximize resources. In addition, the program is subject to audit by the Department of Revenue's Internal Audit and Consulting Section and by the Comptroller. The entire Department is also scheduled to complete a financial integrity periodic review as established by the Financial Integrity Act (TCA 9-18-101 through 9-18-104) during Fiscal Year 2004.

Future Challenges and Opportunities

A future challenge for Special Investigations is sales to Tennessee residents over the Internet. Tax is sometimes charged and collected by persons located outside the state and not reported. This uncollected tax impacts Tennessee and other states. It is very difficult to make effective investigations when dealing with different states, different tax rules, and different venues, not to mention having to travel outside the state to interview possible subjects and witnesses. To help facilitate the exchange of information between the different states and organizations in relation to Internet sales, the Department interacts with organizations such as the Federation of Tax Administrators (FTA) and the Southeastern Association of Tax Administrators (SEATA). Revenue is also involved in the Streamlined Sales and Use Tax Project, which could help in these types of cases.

Electronic filing is another challenge for Special Investigations to overcome. People are increasingly filing documents with the Department of Revenue electronically. Because these documents are not physically signed, the question of who prepared and filed the return is a key element in a possible tax evasion case that has to be answered. Ease and comfort of filing returns electronically and paying by electronic fund transfers by taxpayers often conflicts with the evidence needed in order to prosecute a case criminally. Department of Revenue will explore electronic signatures for all returns and any other means available to help establish responsibility.

An opportunity for Special Investigations is to continue efforts in gaining the expertise needed in computer forensics by obtaining proper equipment and training. This expertise is vital in investigating computer crimes.

As certain recurring auditor errors are identified through the informal taxpayer conference process in the Administrative Hearing Office, auditors are better able to resolve certain issues at the field level. Although a desirable result, this often means that the issues actually preceding the taxpayer conference level become increasingly difficult.

Performance Data Schedule

The Administrative Hearing Office and Special Investigations will report data monthly by the 15th of the following month. Quarterly reports will be issued to the public through the Department of Revenue's website.

Data Verification

The information used in the performance measures for Special Investigations undergoes a verification process by management. A comparison to source documents is made for accuracy. The system of tracking the cases is automated and allows instant notification of information for management. The database is backed up daily and the system's security concerns are constantly being evaluated and updated.

Administrative Hearing Officers and management in the Administrative Hearing Office verify the information used in the performance measures by reviewing and analyzing source documents.

347.11 Information Technology Resources Division

Information Technology Resources (ITR) is responsible for managing information technology for the Department of Revenue. ITR provides planning, resources and coordination in managing the information technology needs of the Department, including defining and/or providing information technology solutions for business needs. ITR facilitates all phases of Information Systems projects including software development or purchases, installations, implementations and all aspects of hardware configuration needs.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 4-3-5501 establishes the Information Systems Council (ISC) as the State's information systems authority. Information Technology Resources must adhere to policies and standards set by the ISC.

Mandated and Optional Services and Means of Providing Them

Information Technology Resources is a service program responding to needs of other departmental programs to provide mandated and optional services.

TCA 4-3-5501 mandates adherence to Information Resources policies regarding:

Data Security
Information Systems Review
Ownership of Information Processors and Associated Operating Software
Information Systems Design and Programming
Information Systems Management & Application Development
Information Systems Architecture
Information Systems Planning
Systems Dial-Up Access Security
Disaster Recovery
Data Resource Management.

Information Technology Resources (ITR) provides the following five optional services that are not mandated but contribute to the objectives of providing technical services:

ITR manages the Revenue Integrated Tax System (RITS), which is available 12 hours a day, Monday through Friday.

ITR facilitates all information systems (IS) projects in the Information Systems Plan (ISP). ISP projects are coordinated with the Management Advisory Committee (MAC) of the Department of Revenue. Projects that receive MAC approval are scheduled in years one through three of the ISP.

Requests for service (RFS) are submitted to ITR for systems additions or enhancements that are not significant enough in size or scope to be included in the Information Systems Plan. Monthly status meetings with all program directors are held to prioritize these requests.

Problem Reports are submitted to Information Technology Resources when systems are not conforming to their specifications. Response to Problem Reports is based on the criticality of the system problem.

Help Desk assistance for microcomputers, telephone and Local Area Network/telephone problems are requested via telephone, e-mail or on-site visits.

Performance Standards

1. Revenue Integrated Tax System (RITS) availability.

Performance Measures

1. Revenue Integrated Tax System (RITS) availability from 6:00 AM CST to 6:00 PM CST, Monday through Friday.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
99.02%	98%	98%

Obstacles to Meeting Objectives and Delivering Services

ITR has encountered difficulties in recruiting and retaining an adequate and qualified Information Technology (IT) staff.

Unpredictable problems, shifting project priorities, and statutory changes are obstacles that impede the attainment of the standards.

Systems complexity and interdependence throughout software applications creates a “domino effect” when changes are made, sometimes requiring a reconfiguration of multiple systems.

The amount of data processed in the 12-hour nightly processing schedule varies according to Department workloads.

Passage of the Streamlined Sales and Use Tax legislation will require considerable effort for the Information Technology Resources (ITR) program. As required changes to the sales and use tax law are identified, ITR must ensure that changes to the Revenue Integrated Tax System (RITS) are made, tested and ready for implementation in FY 2005. The required resource commitment in FY 2004 could impact other projects and will stretch ITR resources significantly.

Means of Overcoming Obstacles

To maintain an adequately qualified staff, ITR will continue to work with Information Systems (IS) community to increase IT salaries to be more competitive with the private sector. As workloads exceed available resources, steps will be taken to advise all involved parties of the situation so a consensus on priorities for the area or individual can be reached.

To address the unpredictability of problems, project priorities and statutory changes, ITR is documenting situations where workloads continually exceed available resources to request additional staff.

Whenever modifications or enhancements to any Department of Revenue system are required, all involved areas of Information Technology Resources are brought together so that system-wide impact can be determined and an action plan for changes can be prepared.

To address the varied amounts of data, the Archive project in Year One of the Information Systems Plan will alleviate “inactive” account data that is evaluated each night in the batch schedule process. ITR will continue to ensure all programs perform at optimum level, pay careful attention in scheduling work during peak periods, and continue working with users to run programs (filing frequency analyze and inactive account closure) to prevent unnecessary taxpayer account processing in nightly schedule.

The Streamlined Sales and Use Tax will require ITR to utilize resources in accommodating additional work created by the passage of this legislation. While it will be one of the highest priority items during FY 2004, program management will still undertake completion of all projects identified for the same period. However, some of the projects may require extensions to estimated dates of completion.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Information Technology Resources does not receive federal or non-state revenue.

Means of Avoiding Unnecessary Costs and Expenditures

By reducing dependency on contract vendors, ITR can reduce some of its costs.

Archiving inactive account data and reviewing current programs improves system performance and reduces operating costs.

Increasing the use of technology to automate reduces the laborious manual processes.

While Electronic Commerce is the emphasis, some paper forms are still necessary. Changes will be made to improve the format for required paper forms to enable speedy and accurate processing in the mailroom.

Future Challenges and Opportunities

Within each legislative session, there is the possibility of legislation with major systems impact.

There is an ever-increasing expectation by taxpayers and employees for immediate access to data. Information Technology Resources has included projects in the Information Systems Plan for data warehousing, wireless communications and imaging.

With shrinking budgets and the concept of "do more with less," there is an opportunity to explore additional automated Information Technology solutions.

Performance Data Schedule

Each month's data will be compiled and available for inspection by the 15th of the following month. Quarterly reports will be issued to the public through the Department's website.

Data Verification

The tracking process identifies daily availability of the Revenue Integrated Tax System. Program management reviews the data, reacts immediately and verifies the accuracy of the measurement information reported.

Support Services

347.13 Taxpayer Services Division

Taxpayer Services is responsible for taxpayer registration, taxpayer education, taxpayer assistance and correction of posting errors. The program has employees in the Nashville office and five regional offices. Taxpayer Services maintains regional offices in Johnson City, Knoxville, Chattanooga, Jackson and Memphis. The same level of service and assistance is provided in regional offices as in the Nashville office.

Statutory and Constitutional Objectives

The Tennessee Code Annotated (TCA) mandates that the Department of Revenue perform several activities relative to taxpayers. Taxpayer Services carries out a number of these objectives.

TCA 57-5-102, 67-3-1806, 67-4-1605 and numerous parts of 67-6 mandate the registration for collection and remittance of taxes including identification, notification and registration of taxpayers mandated by statute to file returns and make remittances to the Department of Revenue through electronic funds transfer and electronic data exchange.

TCA 57-2-102, 67-3-1501, 67-4-1015 and 2204, and numerous parts of 67-3 mandate the issuance of statutorily mandated licenses and permits to taxpayers registering to collect and remit taxes for which either document is required.

TCA 57-3-303, 57-4-302, 57-5-110, 57-6-107, 67-3-1709 through 1714 and 67-4-1006 require the maintenance of bonds on taxpayers required to post bond as a precondition to licensing.

TCA 67-3-2204, 67-4-1006, and 67-4-2205 mandates the issuance of statutorily required resalable items such as tobacco stamps and decals for the coin-operated amusement machine and liquefied gas taxes.

TCA 67-1-110 requires the Department provide taxpayer education opportunities under the provisions of the Taxpayer Bill of Rights.

Mandated and Optional Services and Means of Providing Them

First among the mandated services that Taxpayer Services provides is taxpayer registration for 28 types of taxes. Many times, this service is provided through personal contact between the taxpayer and a program representative. Registration services are provided in Nashville and the regional offices through fax, mail or telephone.

Licenses and permits are issued as an adjunct to the registration process and are generated by automated processes when registration is complete.

Bonds are received from taxpayers and manually posted to the tax system. For those taxpayers that are required to post bond to establish eligibility for a license, a valid bond will allow license generation. Issuance of statutorily mandated items such as tobacco stamps and decals for coin-operated amusement is accomplished through interaction between Taxpayer Services and the purchaser. Requests for issuance are received and processed, payment is remitted to the program and items are issued.

Taxpayer Education consists of conducting workshops and seminars, participating in speaking engagements, providing tax forms and information written in plain language, as well as prompt and accurate responses to all questions and requests for tax assistance. Taxpayer education will be enhanced by conducting 45 seminars and workshops throughout the year and providing timely information and updates to taxpayers utilizing scheduled mail. Special emphasis is being placed on providing more information on the Department's website.

Several optional services exist within Taxpayer Services that are not mandated but contribute to providing assistance to taxpayers. These services are the General Information Call Center, the Practitioner Hot Line and the Predictive Dialer (automated calling system).

The General Call Center and the Practitioner Hot Line are tools provided to assist in answering tax law questions from both tax practitioners and the general public. The call center is linked to the Revenue Integrated Tax System (RITS) thereby allowing employees to make on-line

adjustments to accounts based on information provided by taxpayers. In accomplishing this service, abandoned calls are limited to no more than three percent of all calls received.

The objective of the Predictive Dialer is to clear new balance cases within 45 days of receipt in the dialer. Clearing new balance cases in the dialer ultimately reduces the number of collection cases sent to Tax Enforcement. Employees make registration and financial adjustments, take promises to pay, receive daily payments and pay documents, and update the system accordingly.

The Revenue Integrated Tax System (RITS) provides a consolidated database of taxpayer information across all taxes administered by Revenue. It enables centralized registration, multiple tax form processing, taxpayer accounting, automated taxpayer correspondence and on-line filing of returns. This system allows the Department to meet its business needs by providing complete and accurate account information.

The program, through the established procurement process, is obtaining enhanced imaging equipment with technological capabilities that will allow the program to print, scan, fax, copy and bar code all incoming tax related documents from taxpayers and tax practitioners. This technology will allow the program to identify and image incoming documents, manage them within the system and provide documents to taxpayers in return. This will improve efficiency through time and manpower utilization.

Performance Standards

1. Accurately complete new monthly applications for registration, including licenses, bonds, and resalables.
2. Serve callers through the General Information Call Center and Tax Practitioner Hotline.
3. Reduce new balance cases through the Predictive Dialer (automated calling system).

Performance Measures

1. Percentage of new registration applications completed error-free within 15 days of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
89.93%	85%	85%

2. Percentage of monthly phone calls answered by the call center and the tax practitioner hotline.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
97.22%	97%	97%

3. Percentage of new balance cases closed through the predictive dialer.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
72.39%	75%	75%

Obstacles to Meeting Objectives and Delivering Services

Legislative changes to the tax statutes often necessitate a change in program procedures, system requirements for accomplishing certain tasks, and staff training requirements.

Maintaining an adequate work force is an obstacle as a result of retirements, transfers, resignations or other personnel changes.

Since the Streamlined Sales and Use Tax legislation has become law, Taxpayer Services faces the task of retraining employees and educating taxpayers and tax practitioners. This agreement is designed to simplify and modernize sales and use tax administration. However, the changes to existing sales and use tax code will be so extensive that the training curve will require significant time and resource allocation.

Means of Overcoming Obstacles

Taxpayer Services is constantly reviewing and revising internal training programs, procedures and opportunities to provide the most current and effective levels of service possible. To increase service capabilities, the program plans to work closely with other state and regulatory agencies to better identify potential taxpayers and to exchange timely and accurate information. Additionally, working closely with industry specific groups will improve communication and understanding between the Department and taxpayers in those industry classifications.

TPS will request reclassification studies for personnel staffing the predictive dialer system to bring these positions more in line with comparable industries. Program management strongly believes that additional classifications are necessary to provide better service in a timelier manner and continue to meet or exceed performance standards.

Because of the importance of the Streamlined Sales and Use Tax legislation, program managers will provide special attention to changes required by the legislation. Changes will be identified and communicated and special effort will be provided to retraining employees about those changes. Plans to communicate the changes in a timely manner to taxpayers and tax practitioners of the state will be developed. Taxpayer program managers will stay abreast of all change identified by other programs to enable a high level of explanation to those that inquire when the legislation is actually implemented in FY 2005.

Means of Maximizing Federal and Other Non-State Sources of Revenue

State tax dollars and a share of the Local Option Sales Tax are currently the only revenue sources that fund Taxpayer Services. The program does not receive any federal or non-state sources of funding.

Means of Avoiding Unnecessary Costs and Expenditures

Departmental Purchasing Procedures are in place for Taxpayer Services. All revenues and expenditures are tracked at the cost center level to control expenditures and maximize resources. In addition, the program is subject to audit by the Department's Internal Auditing and Consulting

Services and by the Comptroller. The entire Department is also scheduled to complete a financial integrity periodic review as established by the Financial Integrity Act (TCA 9-18-101 through 104) during FY 2004.

Future Challenges and Opportunities

Taxpayer Services faces the challenge of resolving low balance cases. One way to target these low balance cases is to implement a "Check by Phone" application that will allow taxpayers to make automated payments. The application will be designed to integrate with the call center, tax practitioner hotline and the predictive dialer.

As Revenue increases its focus on Electronic Commerce, Taxpayer Services will face the task of identifying taxpayers required to file returns through electronic funds transfer and electronic data interface. An annual review of account status and activity through monitoring system-generated output will provide the means to accomplish this.

Additionally, with improvements in timely reconciliation of remittances to returns, Taxpayer Services will face the challenge of reducing accounts receivable and increase collections for timely accounting before each monthly cut-off. By analyzing reports of departmental and taxpayer errors and coupling that with continuing taxpayer education opportunities, new credits and debits will be reduced substantially.

Performance Data Schedule

Each month's data will be compiled and available for inspection by the 15th of the following month. Quarterly reports will be issued to the public through the department's website.

Data Verification

The Revenue Integrated Tax System (RITS), the call center and the predictive dialer will provide baseline data. Information on application completion, call management and dialer case resolution will be provided by Taxpayer Services supervisors and verified by Taxpayer Services management as prescribed by program procedures.

347.16 Processing Division

Processing ensures that funds due the State of Tennessee are timely deposited, timely distributed, and properly accounted for. This program provides a means of collecting and processing over 90% of total state collections and accounting for those funds used to finance and operate most state programs. During Fiscal Year 2002-2003, this program processed more than $8.4 billion in state taxes and fees and another $1.5 billion of local sales tax collected and processed for local governments. In addition, the program provides lockbox services to a variety of other state agencies, collecting and depositing approximately $142,216,000 annually on their behalf.

Statutory and Constitutional Objectives

The Department of Revenue is identified throughout Title 67 of the Tennessee Code Annotated (TCA) as the state agency with the responsibility to administer tax laws and collect state tax dollars. TCA 9-4-301 further mandates a specific time frame for depositing state funds, TCA 9-4-302 provides for the use of a petty cash account and the Department of Finance and Administration's Policy #25 provides additional clarity to specific terminology used in TCA 9-4-301.

In accordance with TCA 67-1-102, Processing utilizes the identified powers and duties of the Commissioner of Revenue and the Department of Revenue, including the power to administer and collect certain state taxes.

TCA 9-4-301 requires the Department to collect funds that must be deposited immediately into the state treasury or the account of the state treasurer in a bank designated as a state depository or to the appropriate departmental account. Finance and Administration Policy #25 defines "immediately" as within 24 hours after $500 has been accumulated or five working days if more than $100 but less than $500 has been accumulated, provided that the funds to be deposited are secured under lock and key.

Mandated and Optional Services and Means of Providing Them

Processing is mandated to collect and deposit the funds due the state within 24 hours of receipt. The following services contribute to updating taxpayer accounts by posting tax records, distributing funds to the proper accounts, recording financial data into State of Tennessee Accounting Records System (STARS) and providing other accounting data to state authorities to properly account for all state funds (TCA 9-4-301, F&A Policy #25, TCA 67-1-102).

As the program receives funds and related tax records, the collected items pass through the program's multiple staging areas until all operational workflow requirements are met. All operational areas work together and share in the responsibilities and required actions needed to meet the program's standards. A judgmental sampling method is used to measure the timeliness of deposits received and processed by the program. The sampling method is measured to determine that the program is depositing state funds within 24 hours as mandated.

Processing carries out four optional services that are not mandated but contribute to the objectives of administering and collecting taxes. Those services include a petty cash account, a lock box operation for other state agencies, availability to provide copies of tax records to taxpayers authorized to receive them, and research and analysis of tax account records and other financial data.

Processing utilizes a petty cash account to accommodate taxpayers who prefer to pay their taxes in cash to the agency. This account is used to maintain a change fund and is audited annually by the Department of Revenue's Internal Audit and Consulting Services. TCA 9-4-302 allows a petty cash account by the Commissioner of Finance and Administration to each state department, institution or agency that in the opinion of the Commissioner requires such an account.

The lockbox service is extended to five state agencies: Commerce and Insurance, Safety, Board of Parole, Finance and Administration and the Department of Health. Processing collects funds and related records that are due to these agencies, deposits these funds on behalf of the agency,

and provides them deposit documentation for their use in distributing the payments to appropriate agency accounts. Additionally the service also provides research and support documentation upon request to assist lockbox agency staff in account reconciliation and other problem solving issues. Each agency pays a minimal fee ($0.25) per transaction processed.

Processing also provides taxpayers with copies of tax records submitted. Microfilm copies of these records are mailed to the taxpayer's registration address at a $2.00 processing fee per document.

The final optional service provided by Processing is research and analysis of tax account records and other financial data. The staff members are often required to research a wide scope of tax related issues. Many of these issues pertain to complex financial data recorded on the Revenue Integrated Tax System (RITS), as well as compliance issues from internal and external customers. Several units within the service, such as the Exceptions Unit, are in continuous contact with taxpayers and/or their representatives resolving payment and return issues.

Other Processing staff in the Error Corrections Unit are continuously monitoring, testing and maintaining accounts set up to file through electronic commerce applications. This includes the use of Electronic Fund Transfer (EFT), Electronic Data Interchange (EDI) and a growing number of Internet filing applications. The interaction with the public makes them susceptible to a wide variety of inquiries. Some of the inquiries are answered by the individuals receiving the inquiry while some are forwarded to appropriate departmental personnel.

Performance Standards

1. Timely deposit all state funds collected.
2. Timely post tax documents.
3. Deposit checks accurately.

Performance Measures

1. Percentage of all state funds deposited within 24 hours of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
97.27%	95%	95%

2. Number of days to post 95% of tax documents.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
7 days	8 days	8 days

3. Percentage of accuracy for all checks put on deposit.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
99.93%	99.99%	99.99%

Obstacles to Meeting Objectives and Delivering Services

The program must contend with unexpected volumes, delays in vendor services, equipment and other systems challenges and other issues difficult to anticipate. Processing is dependent on the cooperation of vendors and other organizations, including the State Postal Service, which is not under the control of Revenue. At times, Processing experiences delays in receiving tax payments and documents that require processing. This impedes the capability of depositing the funds timely and places the staff in an operational pause, especially when scheduling changes for anticipated volumes. In addition, the state loses interest on funds that should have been received and processed earlier. This dependency on outside resources can have a significant impact on the program's ability to meet performance standards.

Statutory changes can impact the program's ability to meet expectations. When new pieces of legislation are introduced, the due date for these new statutes has historically coincided with the same date as other larger tax applications, causing a tremendous burden on the program. Changes in tax statutes over the past several years have significantly increased activity throughout the program, which stretches the program's personnel resources to a level of concern.

Processing provides Lockbox services to other agencies enabling those agencies to reduce costs. Over the past several years Lockbox transaction volume from other agencies has increased significantly. This shifts the cost burden from other agencies to Processing. This burden is an obstacle since the program is not recovering costs for providing this service. Additionally, the manpower required to provide these services takes away from the resources necessary to accomplish mandated requirements.

Another significant obstacle is Processing's ability to develop and maintain a highly motivated work force. Over the past several years Processing has made major technological improvements to deal with increasing responsibilities. An increased volume of work has also stretched the program's personnel resources. Processing employees have, and still are, adapting to change from a manual process with limited tasks and knowledge requirements to a more computer-automated environment with multiple tasks. The technological improvements create new skill requirements for entry-level jobs that require employees to comprehend and utilize new technology. The program has job classifications that are below the level of skill and expertise needed to perform the functions of the program and attract quality applicants.

Passage of the Streamlined Sales and Use Tax legislation during the last Legislative session will require review of potential impact on the Processing program. During FY 2004, a thorough review of the program will determine processing and forms changes, as well as work flow issues that will occur. When fully implemented, the program would be able to collect and process an estimated $600 million in uncollected use tax on sales made online and in catalog sales currently not available for collection. The work required to process the increased volume will tremendously affect the Processing program.

Means of Overcoming Obstacles

Processing intends to continue building a better working relationship with vendors and other agencies it depends on to deliver goods and services. The program has worked to open additional lines of communication with external customers and provide them with a better understanding of operational needs. This is accomplished by providing dates for the peak periods in advance, scheduling preventative maintenance for non-peak periods, rescheduling delivery drop-off and

pick-up times during peak periods, maintaining a current vendor contact list for special notifications, and responding to unexpected problems.

Personnel in the program are cross-trained to provide flexibility so staff can shift to other work units when the need arises. Additional manpower within the Department assists during peak periods.

The Internal Audit and Consulting Services section completed a study of the Agency Lockbox process in January 2002. The results showed that it costs Processing $0.75 to complete each Agency Lockbox transaction. Processing is currently charging other agencies a minimal $0.25 fee per transaction for Lockbox services. Processing is not covering its expenses. To recover the costs of processing Lockbox transactions, the fee to Lockbox service agencies should be increased. In addition, as the volume of Lockbox transactions increases, staffing should be adjusted proportionately. Processing concerns will be communicated to those agencies using this beneficial service in a formal Lockbox Services agreement.

A high priority will be given to identifying changes that will be essential to implementation of the Streamlined Sales and Use Tax legislation. Working in tandem with other programs within Revenue to coordinate the changes required by the Streamlined Sales and Use Tax legislation will take a prime portion of program management's activity during both FY 2004 and 2005.

Means of Maximizing Federal and Other Non-State Sources of Revenue

A possible source of funding includes increases in Lockbox and copier fees needed to cover the service costs.

Means of Avoiding Unnecessary Costs and Expenditures

Departmental Purchasing Procedures are in place for Processing. All revenues and expenditures are tracked at the cost center level to control expenditures and maximize resources. Processing is subject to audit by Revenue's Internal Audit and Consulting and by the Comptroller. The entire Department is also scheduled to complete a financial integrity periodic review as established by the Financial Integrity Act (TCA 9-18-101 through 104) during FY 2004.

The program also recognizes that unnecessary costs associated with the processing of paper returns could be eliminated if all taxpayers that are currently mandated to file tax returns and payments electronically were doing so. The program is working with other departmental programs to bring all of those that fall under this mandate into compliance.

Future Challenges and Opportunities

A major challenge for Revenue is to expand the use of electronic filing of tax returns and payments. Any reduction in the amount of paper handling in the Department saves time and reduces the potential for errors. Making the best use of available technologies, such as Electronic Funds Transfers (EFT), will position Processing to adapt to increased workloads and demands.

Performance Data Schedule

Processing's activities center around a variety of due dates for each of the 28 different taxes administered by Revenue and a monthly close out schedule that must be completed around the seventh or eighth of the next month following the period. Each month's data will be compiled and available for inspection by the 15th of the following month. Quarterly reports will be issued to the public through the Department's website. Comprehensive reporting will be completed on or around July 15th of each year for statistical information relating to the fiscal year as a whole.

Data Verification

The information released on the Performance Data Schedule is examined by the operational managers and then verified by the administrative staff of the program.

Revenue Collections

347.02 Tax Enforcement Division

This program addresses the collection of delinquent tax liability that results when taxpayers fail to remit their tax liabilities on a timely basis or are considered to have under-reported tax liabilities in relation to state tax statutes. The program's ultimate goal is voluntary compliance with regard to the tax collection process. Work assignments of a delinquent nature are generated through the Revenue Integrated Tax System (RITS).

Statutory and Constitutional Objectives

The collection of delinquent taxes is one of many aspects of tax collection that falls under the jurisdiction of Title 67 of the Tennessee Code Annotated (TCA). The Department of Revenue is identified throughout Title 67 as the state agency with the responsibility to administer the tax laws and collect state tax dollars. While specifically not mandated, the statute does authorize the Department of Revenue to collect taxes.

The responsibilities, powers and duties of the Commissioner and the Department of Revenue are identified in TCA 67-1-102. These powers and duties identify administration for the assessment and collection of all state taxes except those for which responsibility is expressly conferred by statute to some other officer or agency. It provides for the ability to act on an offer in compromise for settlement of taxpayer indebtedness. The Commissioner of Revenue, the Attorney General and the Comptroller must approve offer in compromise settlements processed through Tax Enforcement. The collection of delinquent taxes is a component of the tax collection responsibilities established within the Department of Revenue.

TCA 67-1-1401 through 1445 is commonly referred to as the Tax Enforcement Procedures Act. These portions of the act provide the Department with tools including lien, levy, establishment and maintenance of payment plans, seizure of assets, sale of property, demand for payment, as well as the authorization for jeopardy assessments.

TCA 67-3-2310(e) is a provision enabling the Department to pursue the collection of delinquent taxes, penalties, interests or fees due to the Department of Safety. The Department of Revenue will assist in making collections of such items for Safety for an administrative fee of 2% of the gross amount of any taxes, penalties, interests or fees collected.

A constitutional objective relates to the inferred power that a state possesses the authority to establish and collect taxes.

Mandated and Optional Services and Means of Providing Them

The Tax Enforcement Procedures Act provides the program with the authority to collect delinquent taxes. In addition, Tax Enforcement is empowered to collect delinquent revenue for the Department of Safety. Currently, collection activity for the Department of Safety predominately involves bad check collections.

The best means to provide the collection service is to be able to collect delinquencies as quickly as possible. The quicker a taxpayer is contacted and the quicker the collection process is initiated, the more likely a delinquency will be collected. Quickness equals dollars.

Once an officer receives an assignment, the taxpayer is contacted to collect the assessment. If the assessment is not valid, the officer obtains and submits the information to resolve the liability. If the assessment is valid, the collection process continues. The officer will give a notice and demand for payment. If payment is not received or if arrangements to satisfy the liability are not made, the officer will initiate the lien and levy process. The officer will levy against bank accounts, wages, and as a last resort, seize and sell the assets of a business to satisfy the liability.

An alternative approach to collection of the state's delinquent taxes is to enter a contractual arrangement for out-sourcing the process to collection agencies. Tax Enforcement considers outsourcing these services to be a viable tool for future consideration.

Tax Enforcement carries out two optional services. These services are not mandated but contribute to the objectives of collecting delinquent taxes.

Revenue Enforcement Officers primarily focus their efforts on work assigned to them through case management methodologies established for delinquencies. Tax Enforcement staff work out of various field offices across the state and must interact with taxpayers by the very nature of their responsibilities. These officers are called upon to explain or clarify issues and matters pertaining to tax liabilities they are assigned to collect, answer various questions about state taxes and in some cases refer certain types of questions to the proper personnel to obtain clarification.

As a courtesy to the Departments of Commerce and Insurance and Environment and Conservation, Revenue Enforcement Officers have an informal arrangement to provide assistance in the collection of returned checks for those agencies. Since officers have statewide deployment, staff are in a position to make personal contact with those submitting bad checks and make a cursory effort to obtain a good payment. Most of the returned check assignments are sent from the Department of Commerce and Insurance.

Performance Standards

1. Collect delinquent taxes due.
2. Collect or resolve case inventory.

Performance Measures

1. Percentage of delinquent taxes collected.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
14.93%	14.50%	14.50%

2. Percentage of case inventory collected or resolved within 90 days of assignment.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
64.43%	66.50%	66.50%

Obstacles to Meeting Objectives and Delivering Services

There is a need to address increased delinquent tax caseload resulting from legislative mandates that impact the Tax Enforcement program. Significant changes in tax statutes have occurred over the past several fiscal years and with these changes came an increased amount of activity in all areas. In FY 2001 there were 94,601 delinquent cases generated. In FY 2002, there were 122, 223 delinquent cases generated. The increase of 27,622 cases generated the 29.2% delinquent case increase. During Fiscal Year 2003 there were 130,653 delinquent cases generated.

Passage of the Streamlined Sales and Use Tax legislation during the last Legislative Session will require the review and identification of potential impact on Tax Enforcement. The effort in FY 2004 will be a thorough review of the program to determine processing changes that will occur when the legislation is implemented in FY 2005.

Means of Overcoming Obstacles

Information resource enhancements needed for two specific areas of improvement are being implemented: the social security match program and an improved partial payment agreement system. These enhancements will provide better tools to address the increased delinquent case volume and should be implemented during FY 2004.

Efforts have been made to overcome technological concerns and improve equipment by obtaining computers for all field personnel. Distribution of the equipment was completed in April 2003. In addition, work has started to improve the case consolidation function of the Revenue Integrated Tax System (RITS). Case consolidation will be improved by combining all delinquent tax types and tax periods into a single collection case and thereby maximize collection efforts.

Because of the importance of the Streamlined Sales and Use Tax legislation program managers will make a careful review of Tax Enforcement processes and operations. Necessary changes

will be identified and communicated. Keeping abreast of changes that will be identified and consequently implemented in other programs will also be given careful attention.

Means of Maximizing Federal and Other Non-State Sources of Revenue

State tax dollars and a share of the Local Option Sales Tax are currently the only revenues that fund Tax Enforcement. Tax Enforcement does not have any federal or non-state sources of funding.

Means of Avoiding Unnecessary Cost and Expenditures

Departmental Purchasing Procedures are in place for Tax Enforcement. All revenues and expenditures are tracked at the cost center level to control expenditures and maximize resources. In addition, the program is subject to audit by the Department's Internal Auditing and Consulting Section and by the Comptroller. The entire Department is also scheduled to complete a financial integrity periodic review as established by the Financial Integrity Act (TCA 9-18-101 through 104) during FY 2004.

As previously noted, Tax Enforcement has found that the longer it takes to resolve delinquent cases, the greater the cost becomes and the less certainty there is of resolving the case to secure payment from the taxpayer for the state. All collection activities are coordinated through the Director to minimize unnecessary expenditures.

Future Challenges and Opportunities

A challenge to Tax Enforcement is the volatility of the economy and its effects on taxpayers. A poor economy usually results in a greater number and percentage of delinquent tax cases.

Complex legislative changes often affect the volume of delinquent case assignments. This occurs because of inadequate understanding of the law and taxpayer uncertainty.

Tax Enforcement has the opportunity to improve the perception of the taxpaying population as personnel assist taxpayers in resolving tax delinquencies. In a best-case scenario, this will provide a win/win solution as voluntary compliance increases and public opinion of the Department of Revenue improves.

Performance Data Schedule

Each month's data will be compiled and available for inspection by the 15th of the following month. Quarterly reports will be issued to the public through the Department's website.

Data Verification

RITS will provide baseline data. Delinquent tax collection data will be provided by Revenue Enforcement Officers and verified by Tax Enforcement management as prescribed by program procedures.

347.14 Audit Division

Audit provides tax audit related services, including audit examination, refund processing, penalty waiver processing and taxpayer discovery. Audit conducts tax audits of taxpayers subject to Tennessee tax law, which encourages voluntary compliance with state tax laws and assists in educating taxpayers regarding tax laws and filing requirements. The program accomplishes this by centralized management of audit resources, providing fair and objective audit selection, and conducting tax audits that achieve target coverage levels.

All taxes administered by the Department of Revenue are included in the audit program's responsibility. Audit cases are maintained and monitored through the Revenue Integrated Tax System (RITS).

Audit is organized into seven sections and maintains nine in-state offices, five out-of-state offices and one out-of-state post of duty station.

Statutory and Constitutional Objectives

The Department of Revenue is identified throughout Title 67 of Tennessee Code Annotated (TCA) as the state agency with the responsibility to administer the tax laws and collect state tax dollars. Specific statutory objectives relating to the Audit program are:

TCA 67-1-1301 requires the Department to perform tax audits to ascertain the correctness of taxpayer remitted taxes.

TCA 30-2-601(b)(1) directs the Department to issue a "final receipt and release" to estate (representatives) evidencing payment of all Tennessee inheritance and/or estate tax due from the estate.

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TCA 67-1-803(a) mandates the administration of the statutory provisions relative to the waiver of penalties imposed under tax laws administered by the Department of Revenue.

TCA 67-1-1802 requires the refund of taxes that have been paid in error or paid contrary to the various laws administered by the Department of Revenue.

Mandated and Optional Services and Means of Providing Them

Audit's primary service is Tax Audit Examination, which examines businesses subject to tax laws to make certain they comply with Tennessee tax laws and maintain necessary records and documentation to properly account for all taxes due (TCA 67-1-1301). Audit management

coordinates tax audit personnel to function across the state according to taxpayer population. An annual audit plan defines target coverage levels of the various taxpayer account types.

Audit's Inheritance and Income service manages the issuance of inheritance tax closing letters to estates. Upon receiving inheritance returns, audits are performed to permit the Department to issue closure letters to each estate. These letters evidence payment of all Tennessee inheritance and/or estate tax due from the estate and permit estate representatives to present these notices to the clerks of the court exercising probate jurisdiction (TCA 30-2-601(b)(1)).

Audit's Penalty Waiver service processes petitions of penalty waivers as submitted by taxpayers according to waiver criteria (TCA 67-1-803(a)(1)).

Audit Refund processes claims for refund associated with the state's taxes through established workflows and refund approval procedures. Documentation is maintained to support the determinations regarding the approval or denial of refund claims (TCA 67-1-1802).

The Audit program provides the following optional services and though these do not address specific statutory mandates, they contribute to the overall administration and collection of state tax dollars.

Audit's Technical Support and Development Unit is responsible for handling many tasks, including representing Audit at informal taxpayer conferences, responding to specific Administrative Hearing Office questions, reviewing field audits, assisting with training and providing significant litigation support for the Office of the Attorney General.

The Discovery Unit is a group that seeks out taxpayers who are unregistered or have underpaid their tax liability. This unit uses a project concept to uncover these tax violations. One project is voluntary disclosure. Audit administers a voluntary disclosure service whereby unregistered taxpayers are permitted to voluntarily register and pay back taxes while avoiding non-filer penalties. Typically a letter is sent on an anonymous basis from a third party. Once the letter is received, Revenue drafts an agreement and sends to the third party for approval.

Performance Standards

1. Audit taxpayers subject to Tennessee tax law.
2. Process Claims for Refund timely.

Performance Measures

1. Percentage of taxpayer population audited.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
2.75%	2.7%	2.7%

2. Percentage of Claims for Refund processed within 45 days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
88.3%	90%	90 %

Obstacles to Meeting Objectives and Delivering Services

The economic downturn of the last two years caused many taxpayers to downsize their audit department or accounting and system personnel. This slows the progress on some audits because personnel familiar with the company's tax and audit process may be limited. If the current trend continues, completing audits in a timely manner may be more difficult.

Legislative changes such as the passage of the Tax Reform Act of 1999 and Public Chapter 856 of 2002 have created a level of tax compliance complexity that is far above what existed prior to this legislation.

Audit's statistical sampling/computer assisted initiative is relatively new to small and mid-size entities and is misunderstood by many of these taxpayers. This requires Audit to dedicate more time and effort in obtaining adequate information to finalize audits.

Passage of the Streamlined Sales and Use Tax legislation during the last Legislative Session will require review for potential impact on the Audit program. During FY 2004, there will be a thorough review of the Audit program to identify processing and procedural changes pertinent to the legislation.

Means of Overcoming Obstacles

Audit is overcoming audit delays due to downsizing and taxpayer opposition by utilizing a time management program that promotes optimum use of resources. Recently developed auditor communication classes, along with increased utilization of legal remedies, are measures aimed at overcoming taxpayer procrastination trends.

Tax auditor training programs are being enhanced to meet the complex legislative changes. Tax liaisons have been assigned in each field office to address basic tax audit related questions and identify areas where formal policy or direction is needed from the Commissioner.

To overcome the differences between Audit and taxpayer technology, a Computer Audit Questionnaire has been developed to obtain information about a taxpayer's automated accounting system(s). The results of the questionnaire are used to determine whether a statistical sample/computer-assisted audit is feasible and to assist the auditor in pre-audit planning.

Because of the importance of the Streamlined Sales and Use Tax legislation, program managers will make a careful review of Audit's processes and operations. Necessary changes will be identified and communicated. Keeping abreast of changes identified and consequently implemented in other programs will also be given careful attention.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Audit shares federal grant money obtained by the Department of Revenue's Special Investigations program. This limited amount of money is used to attend basic and advanced training programs designed for new and mid-level auditors.

Means of Avoiding Unnecessary Costs and Expenditures

Audit has undergone external and internal audits and complied with applicable audit findings relative to refund processing. Significant improvements have been made.

Audit would like to minimize travel and training costs. Audit training is now being conducted regionally with liaisons in each of the field offices performing basic tax research for other auditors, addressing statistical sampling issues, providing localized training, and disseminating technical information originating from Nashville. These personnel reduce the need and expense of travel.

Audit utilizes statistical sampling and computer-assisted audits that reduces auditor time and travel expenditures.

Future Challenges and Opportunities

The Streamlined Sales and Use Tax Project was approved this legislative session by the General Assembly and drastically impacts Audit. This new law significantly changes Tennessee tax law and requires Audit to develop new administrative procedures. In addition, states may conduct joint audits of large multi-state businesses.

Performance Data Schedule

Each month's data will be compiled and available for inspection by the 15th of the following month. Quarterly reports will be issued to the public through the Department's website.

Data Verification

The Revenue Integrated Tax System (RITS) provides baseline audit coverage data through Infopac Report DGR655I. This report is supplemented by a periodic RITS download to obtain a count of taxpayer entity population. Refund performance data will be tabulated from a monthly RITS extract download. The number of computer-assisted and statistical sampling audits will be tabulated monthly using a database currently maintained by the Audit Support section.

The system of tracking standard data is partially automated or produced from automated reports. A Tax Audit Manager 3 is responsible for gathering and preparing performance data that is verified by the Audit Director. External reviews or data verification are anticipated.

Education

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Department of Education

General Agency Information

The Department of Education is responsible for ensuring that the children of Tennessee have the opportunity for intellectual development commensurate with their abilities. The Department coordinates and supervises the educational programs provided by the 136 local school districts, or local education agencies (LEAs). The LEAs operate the state's kindergarten, elementary, secondary, and vocational schools.

The Department carries out its education responsibilities through a multitude of program areas, employing 1,044 full-time staff with five regional offices and four state special schools, Tennessee School for the Blind, Tennessee School for the Deaf, West Tennessee School for the Deaf, and Alvin C. York Agricultural Institute. The Department's program areas are as follows:

1. Administration
2. Grants-In-Aid
3. Elementary and Secondary Education Act (No Child Left Behind)
4. Technology, Infrastructure, and Support Systems
5. Training and Professional Development
6. Curriculum and Instruction
7. State Board of Education
8. Improving School Programs
9. Career Ladder
10. Accountability
11. Basic Education Program and Other LEA Support
12. Tennessee Infant-Parent Services School
13. School Nutrition Program
14. Special Education Services
15. Driver Education
16. Vocational Education Programs
17. Alvin C. York Agricultural Institute
18. Tennessee School for the Blind
19. Tennessee School for the Deaf
20. West Tennessee School for the Deaf
21. Major Maintenance

Administration and the State Board of Education

331.01 Administration

Administration functions include policy development and implementation, planning, maintenance of the Basic Education Program (BEP) funding formula model, financial management advisory services to LEAs, collection of student membership data, as well as regulatory and compliance

functions. Services in Administration include: the Commissioner's Office; internal audit; personnel, central accounts, and budget; teacher licensing; local finance; public information; and research and information services.

Statutory and Constitutional Objectives

Pursuant to Tennessee Code Annotated (TCA) 49-1-201 and TCA 49-1-202, the commissioner of education is responsible for organizing the Department for the purpose of implementing the education laws or policies established by the General Assembly and the State Board of Education.

Mandated and Optional Services and Means of Providing Them

TCA Title 49 provides the Department of Education (DOE) with the responsibility to implement all education laws as well as state board policies. TCA 49-5-108 gives the State Board of Education complete jurisdiction over the issuance and administration of licensure for all certificated personnel. The administrative program carries out these function for the Board. In addition, the Department offers optional services to 136 local education agencies (LEA) in the areas of professional development, curriculum development, and technical assistance.

Tennessee Code Annotated 49-3-201 designates the commissioner of education as the authority for the administration of federal funds granted to the states for the purpose of promoting public education. Federal programs for which the commissioner of education is responsible for administering include the Individuals with Disabilities Act, the Carl D. Perkins Vocational and Technical Education Act, and the Elementary and Secondary Education Act (reauthorized as No Child Left Behind).

Performance Standards

1. Reduce transaction time for teacher licenses.

Performance Measures

1. Teacher license transaction time in weeks.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
8	6	4

Obstacles to Meeting Objectives and Delivering Services

A major obstacle to providing teacher candidates, local education agency human resources officers, and teacher education officials with prompt, efficient service with licensing requests has to do with the reliance on antiquated technology. The existing system does not accommodate on-line submission and tracking of license applications. All transactions are processed by hand.

Means of Overcoming Obstacles

The Department will review and evaluate the systems employed by other states to investigate to what extent more efficient measures can be replicated without additional resources for a modern computer system.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal funds allocated for the purpose of meeting No Child Left Behind teacher quality standards can be directed toward expanding the teacher licensing operation to accommodate the additional functions required by the law.

Means of Avoiding Unnecessary Costs and Expenditures

The Department has implemented a daily transaction log to assist in prioritizing staff time in order to meet seasonal demands for license issues and renewals. It is anticipated this will reduce the amount of overtime costs associated with backlogs.

Future Challenges and Opportunities

An immediate challenge is presented in merging the highly qualified teacher function required by No Child Left Behind with the existing licensing and endorsement operations. There is already a significant backlog in processing the license transactions. Opportunities for improvement lie in the ability to merge the two functions into one streamlined operation, using both state and federal funding sources.

Performance Data Schedule

Performance data on the number of completed licensure transactions are collected on a weekly basis.

Data Verification

The Department relies on internal system verification of data as well as internal auditing procedures to verify accuracy.

331.07 State Board of Education

The State Board of Education is the policy-making body for K-12 public education, the state's special schools, state approved non-public schools and educational television. The board's primary responsibilities include revising and updating the Master Plan for improving education in the State of Tennessee and establishing policies, standards, and guidelines for public education in grades K-12.

Statutory and Constitutional Objectives

Tennessee Code Annotated, Title 49, Chapter 1, Part 3 establishes the State Board of Education as the policy making body for public education in grades K-12 and Early Childhood.

Mandated and Optional Services and Means of Providing Them

Besides the policy making functions laid out in statute, the State Board of Education works with the Tennessee Higher Education Commission to establish a seamless system of public education, pre-kindergarten through post-secondary courses of study. The Board also works closely with the state's professional education organizations in the development of policy and in an advocacy role for public education.

Performance Standards

1. Revise the Master Plan for Tennessee Schools on a yearly basis.

Performance Measures

1. Revision of Master Plan for Tennessee Schools.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Ongoing	Ongoing	Ongoing

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

State Support of LEA Programs

331.25 Basic Education Program and Other Local Education Agency Support

The Education Improvement Act of 1992 established the Basic Education Program (BEP) to replace the Tennessee Foundation Program as the formula to determine the funding level needed by each of the state's 136 school systems in order to provide a basic level of educational service for all students. The formula is based on student enrollment in the various grade levels and instructional programs as well as costs for materials, supplies, equipment, and other operating costs. Each county's relative ability to pay for public education is taken into consideration when determining the required local share of funding as well as the state share.

Statutory and Constitutional Objectives

Tennessee Code Annotated 49-3-351 establishes the Basic Education Program.

Mandated and Optional Services and Means of Providing Them

This program calculates the BEP funding for local education agencies, including the calculations for growth, salary equity, and ConnecTen. BEP payments are made 10 times during the fiscal year. Funding estimates are also prepared for the Department's budget office. Technical assistance and professional development activities related to the Basic Education Program are also provided by the personnel in this program.

Performance Standards

1. Ensure small class sizes for the best possible learning environment.

Performance Measures

1. Number of local education agencies with 100% compliance on class size requirements.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
138	136*	136*

*Decrease is a result of consolidation.

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

No federal funds are distributed through the Basic Education Program.

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

The major challenge for the future is in addressing the issue of funding relative to the Tennessee Supreme Court's ruling in the Small Schools Salary Equity case.

Data Verification

Data verifying compliance with class size requirements are housed in the Department's School Approval Office.

331.10 Career Ladder

This program provides flow-through funding to local school systems in order to provide career ladder supplements to teachers and administrators as established in TCA 49-5-5002.

Statutory and Constitutional Objectives

Tennessee Code Annotated 49-5-5002 establishes these salary supplements.

Mandated and Optional Services and Means of Providing Them

Based upon the preference of each local education agency, Career Ladder payments are made to said agencies either two or three times a year, with amounts based on LEA reports of eligible Career Ladder educators.

Performance Standards

1. All career ladder educators will receive their supplements as prescribed by law.

Performance Measures

1. Percentage of eligible Career ladder educators receiving supplements.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.02 Grants-In-Aid

The Department of Education serves as fiscal agent for various grantees authorized to receive state funds by the General Assembly. This program includes grants awarded to five Tennessee science museums through the Science Alliance consortium, public television stations as approved by the Tennessee Public Television Council, the Tennessee Holocaust Commission, and the Tennessee Alliance for Boys and Girls Clubs.

Statutory and Constitutional Objectives

The grants funded through this program are authorized through the annual appropriations bill.

Mandated and Optional Services and Means of Providing Them

Students and teachers that visit the consortium member institutions receive guided tours as well as
accompanying instructional materials to better relate the museum visit to classroom activities.

Performance Standards

1. Maintain the current level of service and students served through the Science Alliance Consortium.

Performance Measures

1. Number of Children Participating in Science Alliance Programs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
260,000	260,000	260,000

Obstacles to Meeting Objectives and Delivering Services

Many of the students being served are identified as disadvantaged due to participation in the free and reduced lunch program. These students are not charged admission.

Means of Overcoming Obstacles

The museum consortium members will explore the possibility of expanding classroom outreach programs to bring what the museums have to offer to the schools.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

A future challenge will be to obtain and utilize technology and electronic media to enhance museum outreach programs.

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.43 Driver Education

This program serves as a flow-through mechanism to provide funds to local school systems wishing to offer driver education programs. Funding is generated pursuant to Tennessee Code Annotated (TCA) 67-4-602 through 67-4-606 and is distributed based on the number of students participating.

Statutory and Constitutional Objectives

TCA 49-1-204 directs the Department of Education to expand driver education programs in the state's public high schools with funds made available pursuant to TCA 67-4-602 through TCA 67-4-606.

Mandated and Optional Services and Means of Providing Them

Funds generated pursuant to TCA 67-4-602 through TCA 67-4-606 are made available to local education agencies that offer driver education programs. Payments are made twice a year, at the end of fall and spring semesters.

Performance Standards

1. Provide local education agencies with supplemental funding for driver education programs based on the number of students served each semester (fall and spring).

Performance Measures

1. Number of students served in driver education programs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
25,548	25,800	26,000

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.04 Technology, Infrastructure, and Support Systems

The Office of Technology is responsible for providing technical support to Departmental program areas. Technical support includes desktop and network support; project management, implementation and support of customized web-based applications; web publishing of education related information. Technology also manages the contract for the ConnecTEN Internet network to K-12 public schools.

Statutory and Constitutional Objectives

TCA 49-1-209 authorizes the commissioner of education to prescribe a management information system through which local school systems maintain, record, and report information to the state level. No Child Left Behind also requires that the Department be able to disaggregate student data to meet federal reporting requirements.

Mandated and Optional Services and Means of Providing Them

The Education Information System is mandated by TCA 49-1-209. Technology staff provide a help desk to assist school districts in resolving problems they may have in being able to submit data by the required due dates. Technology staff are also heavily involved in improving data collection processes and procedures for departmental program areas. These improvements help the Department to meet federal data reporting due dates.

Performance Standards

1. Local education agencies will provide student and staff data within 10 days of due date for each of the 20-day reporting periods as well as the year-end report with 95% accuracy.

Performance Measures

1. Accuracy percentage with which timely local education agency reports are submitted.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
75%	85%	95%

Obstacles to Meeting Objectives and Delivering Services

The student and staff data being collected are entered into a student management software package at the district level and then transmitted to the state for reporting purposes. Often student

enrollment conflicts are not identified until the data is consolidated into the state level database. At this point, the state has no means of identifying which school district may be in error. As long as this conflict exists, the student will not be used in the calculation of Average Daily Attendance, Average Daily Membership, Net Enrollment, or any other calculation used for BEP funding. In addition, some school districts do not feel it is necessary to submit their data to the state for reporting purposes. Without 100% participation by all school districts, the desired level of accuracy will not be achieved.

Means of Overcoming Obstacles

The Department has identified a point of contact for resolving student enrollment conflicts among school districts. This will help reduce the likelihood of a student not being counted in calculations for report generation. The Department is planning the evaluation of student management software packages to select a single package for use by school districts. This will be a state hosted and supported application with data being entered real-time rather than uploaded after the fact. This will reduce the number of errors being made at the school district level and provide more accurate data.

Means of Maximizing Federal and Other Non-State Sources of Revenue

No federal or non-state sources are used to fund the office of technology. Program areas within the Department may use federal funds to allow technology development projects to be initiated.

Means of Avoiding Unnecessary Costs and Expenditures

All Technology projects must have a Project Proposal and Cost Benefit Analysis submitted to the Office of Information Resources (OIR) for approval before the project can begin. The approval process should for allow OIR to identify areas where shared resources can be utilized for the hardware, software, or network components of a project.

Future Challenges and Opportunities

Technology staff has been supporting school districts in their efforts to meet state reporting requirements to the Education Information System (EIS). This has proven to be major challenge in that there are approximately ten student management software vendors serving the 136 school districts. A project is underway to evaluate the benefits of having a centralized student management system for school districts to utilize.

Performance Data Schedule

The school districts are required to report data to EIS 10 times during the school year. Technology staff monitors the progress each school district is making and provides help desk support to assist them in meeting reporting deadlines.

Data Verification

The Schools Interoperability Framework (SIF) will be finalized and approved in the near future. All new data models and existing data models would be evaluated to ensure that they are SIF compliant. This will allow for easier integration of data across each functional area.

331.11 Accountability

This program includes the Department of Education's Offices of Accountability and Testing and Evaluation. The Office of Accountability is charged with assisting schools and school systems in complying with the school approval process and implementing required accountability measures as mandated by the General Assembly, State Board of Education, and the federal government.

The Office of Testing and Evaluation administers the state's testing program, including the Tennessee Comprehensive Assessment Program, Writing Assessments for grades four, eight, and eleven, and the Gateway and End-of-Course Examinations. This office also provides technical assistance to schools and school systems in the analysis and interpretation of assessment data.

Statutory and Constitutional Objectives

The Office of Accountability has responsibility for implementing accountability measures as specified in Tennessee Code Annotated (TCA) 49-1-601 and 49-1-602. This office also compiles and distributes annual reports of school and school system performance as required by TCA 49-1-211.

The Office of Testing and Evaluation administers the state-testing program as set forth in TCA 49-1-6 and TCA 49-6-60.

Mandated and Optional Services and Means of Providing Them

Based on the most recent rolling three-year test data averages, as provided by the Office of Testing and Evaluation, the Office of Accountability presents to the Commissioner of Education and State Board of Education a list of schools and/or school systems that are not meeting goals established for student performance. Once a list is approved, these high priority schools receive additional assistance through the provision of external consultants (Exemplary Educators) who work with the local school and school system leadership to put in place measures that will increase student performance.

Performance Standards

1. Increased the number of high priority schools placed in good standing as a result of improving student achievement.

Performance Measures

1. Percentage of high priority schools placed in good standing.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
17%	20%	22%

Obstacles to Meeting Objectives and Delivering Services

Two major obstacles face the Offices of Accountability and Testing and Evaluation. In working with high priority schools to bring about change for needed improvement of student achievement, faculty turnover is a major barrier to sustaining improvements and best practices recommended and implemented by Exemplary Educators. In meeting testing requirements brought about by the federal NCLB legislation, the grades 3-8 testing program must transition from a predominately norm reference format to one, which is criterion referenced. This will required additional resources for development and strain an infrastructure already operating at full capacity. In addition, the new testing format and accompanying federal accountability requirements that have to be in place for 2003-04 make it difficult to project the number of additional schools that will need assistance and initiate the planning needed to adequately accommodate their needs.

Means of Overcoming Obstacles

Because a large majority of the high priority schools are urban schools, the Office of Accountability has added an urban specialist to the staff to focus on the unique needs and problems of urban, high poverty schools.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Offices of Accountability and Testing and Evaluation are working very closely with other DOE staff to obtain maximum benefit from the increased federal funding provided to comply with NCLB, knowing however, that the increase in federal dollars will not compensate totally for state costs associated with implementing the additional requirements.

Means of Avoiding Unnecessary Costs and Expenditures

More and more technical assistance will be provided to high priority schools through web based best practice resources.

Future Challenges and Opportunities

As new technologies are made available in the areas of online testing and scanning, the Office of Testing and Evaluation will employee these technologies to reduce costs associated with processing, scanning, and distributing paper examinations

Performance Data Schedule

Yearly summaries of school system assessment data is presented to the State Board of Education in August of each year for the purposes of identifying schools that are not making adequate yearly progress and providing information on a statewide basis.

High Priority schools and school systems are identified by September 1 of each year. The state, school system, and school report cards are issued for public access in November.

Data Verification

Testing data are verified for accuracy in several ways. State summaries of school system performance are not released until the school systems have an opportunity to review said data. In addition, data is reviewed and verified through the TVASS program.

331.06 Curriculum and Instruction

In order to establish statewide standards as a foundation for teaching and learning, the Office of Curriculum and Instruction is charged with the responsibility of providing local school systems with leadership and technical assistance in the design, development, and implementation of K-12 instructional programs. This office also provides local school systems assistance with providing programs for both enrichment and remediation/intervention through the administration of the Extended Contract Program, Governor's Schools Summer Enrichment Program and the provision of Gateway Assessment and Intervention professional development opportunities.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-1-302(a)(8) requires the state Board of Education to establish policies governing all curricula and courses of study in Tennessee's public schools. The Division of Teaching and Learning develops K-12 curriculum standards for the Board's approval. In addition, TCA 49-6-10 through TCA 49-6-13 contain specific curriculum requirements for which this division has responsibility for implementing.

Mandated and Optional Services and Means of Providing Them

State Board of Education rule 0520-1-3-.05 requires the adoption of curriculum content and performance standards, what students should know and be able to do, for all grade levels and subject areas. The Office of Curriculum and Instruction is charged with the development of those standards and their alignment with the state assessments used to gauge student performance and comply with state and federal accountability mandates.

TCA 49-6-22 establishes and charges the State Textbook Commission with the responsibility of evaluating and approving lists of textbooks from which local school systems may purchase. In addition, this process is aligned with the development and adoption of the curriculum content and

performance standards. This operation is housed in and administered by the Office of Curriculum and Instruction.

In addition to curriculum development and the evaluation and adoption of instructional materials, the Office of Curriculum and Instruction is charged with pursuing federal grant opportunities that have the potential of enhancing the K-12 instructional program. One example is the successful competition for and awarding of the federal Reading Excellence Act Grant.

Performance Standards

1. To maintain yearly progress (in grade levels) in reading as exhibited by TCAP.

Performance Measures

1. Percentage of students below grade level in reading that achieve a 1.0 grade level increase.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
50%	60%	60%

Obstacles to Meeting Objectives and Delivering Services

Major obstacles in meeting the objectives and delivering services to the schools in Tennessee include the following:

Educators need professional development to meet the goal of all reading instruction being based on scientific reading research.

Educators need to be aware of the five essential components of a comprehensive reading program and how to incorporate the components into effective reading instruction in the classroom.

Many schools have recently added many English as a Second Language (ESL) students to their rosters. This means that teachers must be trained in delivering instruction to non-English speaking students and that suitable materials must be researched and purchased.

Financial considerations for meeting these objectives can be prohibitive.

Means of Overcoming Obstacles

Overcoming the obstacles can be accomplished by all teachers receiving professional development in scientifically based reading research. Teachers receiving inservice in the five essential components of a comprehensive reading program will not only be knowledgeable about these components but also how to incorporate them into effective reading instruction in the classroom. All teachers need to be made aware of ESL teaching techniques and how to incorporate them into the classroom. Finding new funding sources and using money creatively are very difficult to institute, but both areas must be examined.

Means of Maximizing Federal and Other Non-State Sources of Revenue

All sources of federal and other non-state revenue are maximized to their fullest. The amount of state funds available are very limited and also wisely used. Through the replication of successful projects, through the use of train the trainer models and through the use of teacher to teacher modeling, funds are maximized to their fullest extent.

Means of Avoiding Unnecessary Costs and Expenditures

Through the use of careful auditing procedures by the state Department, all expenditures are closely monitored and subject to careful scrutiny for compliance.

Future Challenges and Opportunities

The goal of each student making adequate yearly progress at all grade levels in reading is a main objective of the Tennessee Department of Education, Division of Teaching and Learning, and the Reading Excellence Act (REA). This is demonstrated by students in grades three through eight making adequate yearly progress on the TCAP. Realizing that this is a task requiring the combined effort of state Department personnel, local educators and families, it is paramount that a collaborative effort be made to reach the goal of all children reading proficiently. Through new sources of funding and Reading First in Tennessee, additional educational opportunities will available for improvement in student achievement.

Performance Data Schedule

At the state level, the statewide assessment is given each spring. Results of the TCAP are available electronically for parents, educators and the public. LEAs receive disaggregated reports to use for driving instruction and future comparisons.

Data Verification

Assessment data is collected from each local education agency, submitted to the contracted testing company for the purpose of producing nationally normed scores. Once the data are returned to the Department, they are shared with each LEA for verification. Data are analyzed for the purpose of extracting value added reports and then posted on the Department's web site each November as components of the Tennessee Report Card.

331.05 Training and Professional Development

Professional Development for School Improvement is responsible for the delivery of training through the Tennessee Academy for School Leaders (TASL), the Tennessee Executive Development Program, School Board Academies, Study Councils, Framework for Evaluation,

teacher mentoring training and the reading and rating of school improvement plans for all Tennessee schools.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-5-5701 through TCA 49-5-5704 provides for the creation of a principal-administrator academy to provide an organizational framework for educational and training programs. The academies under this statute are designed to reinforce instructional leadership for educational effectiveness.

TCA 49-2-202(a)(5) provides for the training of board members of local boards of education and authorizes the State Board of Education to establish guidelines for this training. State Board Rules and Regulations rule 0520-1-2-11 requires seven training hours annually for board members.

In December 1995, the State Board of Education passed a requirement that all schools should submit a school improvement plan every two years. The division of Professional Development for School Improvement addresses these three directives.

Mandated and Optional Services and Means of Providing Them

The TASL academies address a long-range training plan approved by the TASL Board of Control and the State Board of Education. These academies provide training for school leadership and focus on best practices to achieve student success in Tennessee schools. The academies are presented in each of the three grand divisions and are designed and presented by recognized leaders in education. These academies are aligned with the newly adopted Professional Development Policy and focus on on-going and sustained learning opportunities as recommended by No Child Left Behind.

School Board training is designed in conjunction with the Tennessee School Board Association (TSBA). The preponderance of delivery is provided by TSBA with four core modules required for members within their first four years of term and optional topics thereafter.

The Tennessee Executive Development Program serves training needs of directors of schools for Public School Leaders. The array of trainings addresses leadership issues and is approved by a Board of Advisors. Delivery of service is from the Department of Education, Tennessee Organization of School Superintendents, and a variety of consultants.

State Board rules and regulations require the training of principals to evaluate teachers within their schools. Training in the Frameworks for Evaluation is done by one department staff person and one outside consultant.

Teacher support is delivered through a teacher mentoring service. IHE and LEA representatives provide this training.

The School Improvement Planning Process was instituted in 1995 with plans being read in 1997, 1999, and 2001. Training and academies on the continuous school improvement process are held to facilitate goal-setting, data understanding, plan writing and implementation. Plans not deemed meeting minimum requirements are resubmitted.

Performance Standards

1. Provide training opportunities to assist school administrators as they comply with the training requirements established by Tennessee Code Annotated 49-5-5703 (72 hours of training within a 5 year period).
2. Provide training opportunities to assist local school board members as they comply with the training requirements established in Tennessee Code Annotated 49-2-202(a)(5).
3. Provide training opportunities for local directors of schools and state special schools in concert with State Board of Education policy.

Performance Measures

1. Hours of approved training accrued for administrators in 2003-2007 cohort.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
24,422	28,000	30,000

2. Number of local school board members satisfying training requirements.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
921	947	947

3. Number of directors of schools and state special schools participating in training as established by state board policy.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
143	143*	143*

*Decrease is a result of consolidation.

Obstacles to Meeting Objectives and Delivering Services

Reduced budgets, reduced staff, and reduced travel for professional development purposes as well as an antiquated data storage and retrieval systems hinder the delivery of service. The lack of an integrated data system with other divisions makes data reporting and sharing difficult.

Means of Overcoming Obstacles

Professional Development has changed its way of doing business in order to compensate for scarce resources. Whereas the academies are still offered to participants at no cost, travel is not compensated by the state. Reassignment of duties and asking consultants to cover areas left without staff members who have not been replaced has provided minimal coverage of assigned duties, but this has been marginally effective since consultants already were working close to capacity. Traveling to professional conferences and national meetings has only occurred when there was no cost to the state. The data base system has neared the end of its capacity, but fortunately, the original designers have been contracted to make repairs to keep the system in working order.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Interdepartmental cooperation has increased with shrinking resources and Professional Development has teamed with federal programs to provide training opportunities for those impacted by No Child Left Behind.

The Office of Professional Development has partnered with Vanderbilt University and is in the third year of a Bill and Melinda Challenge Grant that has provided intense leadership training for administrators through the Institute for School Leaders (ISL). The grant was awarded for $2,700,000 with the state's in-kind match predominantly comprised of administrator release time to attend the three-day training. The state also pays for the Institute's facilitators of this computer-based training.

To date, 787 administrators have completed the ISL. Currently Professional Development has applied for a federal Christa McAuliffe Professional Development grant for $50,000 to be used to assist middle school teachers in becoming highly qualified.

The Association of Independent and Municipal Schools is piloting a new teacher development center with a goal of expanding this type of delivery system across the state. Their investment for the 2003-2004 year will be approximately $30,000, with the building being provided by the Dyersburg City School System.

Means of Avoiding Unnecessary Costs and Expenditures

The Office of Training and Professional Development will continue to seek out and validate progessional development opportunities that will satisfy statutory requirements and are funded by other sources. This strategy will reduce office costs and duplication of efforts.

Future Challenges and Opportunities

The No Child Left Behind requirements, as well as the limited resources, will continue to challenge professional development.

Performance Data Schedule

Not Identified

Data Verification

Not Identified

Federally-Funded and Supported LEA Programs

331.03 Elementary and Secondary Education Act (No Child Left Behind)

The Elementary and Secondary Education Act (ESEA) is comprised of various federally funded programs that are administered by the state and designed to enhance the learning environment and academic achievement of disadvantaged students through additional resources targeted for school improvement. Emphases also include accountability for results, scientifically researched instructional models, and options for parents of school-aged children.

Statutory and Constitutional Objectives

The Elementary and Secondary Education Act, reauthorized as the No Child Left Behind Act of 2001 (NCLB), requires the Department to administer all the programs included in NCLB. The law requires allocating funds to eligible entities through an application process, providing technical assistance to these entities, and monitoring them for compliance.

In addition, through the state's consolidated application for funds under NCLB, the state was required to adopt performance goals and corresponding indicators.

Mandated and Optional Services and Means of Providing Them

NCLB requires the DOE to administer the programs:

1. Title I, Part A – Improving Basic Programs Operated by Local Education Agencies
2. Title I, Part B, Subpart 3 – Even Start Literacy Program
3. Title I, Part C – Education of Migratory Children
4. Title I, Part D – Intervention Programs for Neglected and Delinquent Youth
5. Title 1, Part F – Comprehensive School Reform
6. Title II, Part A – Teacher and Principal Training
7. Title II, Part D – Education Technology
8. Title III – English Language Learners
9. Title V, Part A – Innovative Programs
10. Title V, Part B – Public Charter Schools
11. Title VI, Part B – Rural and Low-Income Schools Initiative

Technical assistance is provided to sub grantees, usually school systems, so that they can meet the performance goals and corresponding indicators. To perform these responsibilities, the DOE has two structures in place – a Nashville office staff located in the DOE and an extensive regional staff assigned to regional sites around the state.

The Nashville office provides the infrastructure to administer the grant program. The regional staff provides the direct technical assistance and monitoring of local school systems.

The staff in the Nashville Office performs the administrative requirements. Support services, such as providing direct technical assistance to struggling schools and running workshops to train

educators on how to improve student performance, are accomplished through contracts with outside entities such as universities.

The Department continues to strive to find the most expeditious and efficient way to both administer the programs and provide the technical assistance necessary to local educators so that they can meet the performance goals, including the most important one of improving student performance. It is in the best interest of the state to continue to keep the required monitoring requirements within the Department. Because of the extensive need for technical assistance by the districts and schools on how to improve student performance, this requirement is best met through the existing structure of contracting with public universities to provide the services. The cost to use a private entity for these consulting services would be more expensive.

Performance Standards

1. All students in public schools will attain proficiency level in reading/language arts and mathematics.
2. By 2005-2006, all students will be taught by highly qualified teachers.

Performance Measures

1. The percentage of students at or above the proficient level in reading/language arts and mathematics.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
60%	70%	75%

2. Reduction in the number of waivers granted to teachers teaching outside their areas of endorsement.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,626	1,200	800

Obstacles to Meeting Objectives and Delivering Services

There are two major obstacles in meeting the above performance measures. First, although the amount of federal funding under NCLB has increased substantially in the last two years, it is projected that the increases will not be enough to cover the costs of providing technical assistance, resources, and potentially restructuring schools and systems that are identified as not making adequate yearly progress goals and hence labeled as high priority. Second, the state is already experiencing a teacher shortage in certain regions of the state and in certain subject areas. With the increased requirements that teachers not only meet state licensing requirements but also meet additional requirements to be highly qualified in NCLB, the state will struggle to fill many of its classrooms.

Although NCLB does provide additional funding for states and districts to meet this challenge (for this fiscal year a little over $50 million), it will not be enough to meet the challenge by 2005-

2006. In addition, systems have often negotiated contracts, which may hinder their flexibility in addressing this issue.

Means of Overcoming Obstacles

The Department has already increased the staff dedicated to meeting the new challenges in NCLB. In addition, it has restructured the grants application and monitoring processes. The Federal Programs Unit, in which these NCLB programs are housed, is partnering with the other divisions within the Department to align efforts to meet the student performance and teacher quality goals.

The Department will use technology to facilitate data collection and communication. To provide professional development to teachers and administrators in a cost-efficient manner, the Department is developing and implementing more on-line professional development activities.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department is committed to ensuring that it is maximizing the use of these federal funds. It will work with a university through a contract to bring in experts on grants management to review its practices and ensure that they are in compliance and are efficient at maximizing federal resources.

The Department has proactively applied for and received additional federal funds through competitive grants to supplement its initiatives. The Department is planning on having a full-time position devoted to grants management to ensure that these objectives occur continuously. This includes reviewing grant availability periods and ensuring that funds are spent. In addition, most NCLB program funds must be used to supplement, not supplant, required state and local activities.

Means of Avoiding Unnecessary Costs and Expenditures

As mentioned previously, the Department will be doing a review by external experts on its grants management processes to ensure that the Department is avoiding losing federal funds and incurring unnecessary costs and expenditures. In addition, the largest programs in NCLB are annually audited by the Comptroller's Office to ensure compliance.

At the local level, the state monitors all sub grantees for compliance. Most districts are also audited under the Single Audit Act on an annual basis.

Future Challenges and Opportunities

The future challenges and opportunities are meeting the challenging performance goals required under NCLB. These are challenges because of tight timelines in meeting the objectives and variables that the state and districts cannot always control, such as students who live in poverty changing schools frequently disrupting their educational progress.

Performance Data Schedule

The Department will report to the U.S. Department of Education data on the performance goals and indicators by September 1 for the previous school year.

Data Verification

The Department collects and analyzes the data from local school districts. It monitors the accuracy by randomly checking districts' data through cross-checking different sources and reviewing past performance.

331.09 Improving School Programs

Improving School Programs fund a variety of initiatives designed to support local school system efforts by assisting them with meeting the goal of school readiness through early childhood programs, making provision for safe schools and communities through the Safe and Drug-Free School Program, and enhancing literacy efforts through the administration of Even Start grants for family literacy.

The Safe and Drug-Free Schools and Communities Program is responsible for supporting schools in their efforts to maintain safe and disciplined learning environments while addressing interpersonal, familial and societal factors that inhibit learning. This program area contains the following services and activities:

1. Title IVA – Safe and Drug-Free Schools and Communities Program
2. Title IVB – 21st Century Community Learning Centers
3. Safe Schools Act of 1998 Grant Program
4. Tennessee School Safety Center
5. Tennessee Character Education Partnership
6. Zero Tolerance, Character Education and Conflict Resolution data collection and reporting.

Statutory and Constitutional Objectives

TCA 49-6-4302 provides for the establishment of the Tennessee School Safety Center and the provision of grants to local educational agencies.

Title IV of the No Child Left Behind Act of 2001 provides federal funding under the Safe and Drug-Free Schools and Communities Program and the 21st Century Community Learning Centers Program.

TCA 49-6-4216 charges the Department with responsibilities relative to the reporting of zero tolerance data to the General Assembly.

TCA 49-2-118 mandates the provision of conflict resolution education in Tennessee schools and annual reporting to the General Assembly.

TCA 49-6-1007 mandates the provision of character education in Tennessee schools and annual reporting to the General Assembly.

Tennessee State Board of Education School Safety Policy for Tennessee schools provides that the Department operates the Tennessee School Safety Center.

Mandated and Optional Services and Means of Providing Them

Tennessee Code Annotated, federal education law and state board policy mandate a role for the Department in supporting schools and communities in their efforts to provide safe learning environments while reducing barriers to learning. Approximately 98% of the available program funding are flowed directly to schools, community and faith based organizations and other governmental entities.

Program staff are primarily concerned with administering available funding in a manner that results in the delivery of high-quality services to those schools and students in greatest need and that is in compliance with all applicable statutory requirements.

Performance Standards

1. Reduce the number of schools scoring at 75% or a above on the Unsafe School Choice criteria.
2. Reduce the number of students disciplined for illicit drug violations.

Performance Measures

1. The number of schools scoring above 75% on the Unsafe School Choice criteria.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
21	19	15

2. The number of students disciplined for illicit drug violations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,773	1,686	1,650

Obstacles to Meeting Objectives and Delivering Services

School-based efforts to reduce illicit drug use and other problem behaviors must compete with pressures to improve standardized test scores, increase the number of highly-qualified teachers, and other externally imposed mandates. Reductions in funding at both the state and federal levels will require local school systems to do more with less.

Over 60% of local school systems receive less than $25,000 in program resources. As a result, key staff at the local level are frequently charged with multiple responsibilities that may or may not be at all related to the objectives of this program area. Turnover in these positions is high, resulting in a constant need for professional development and very basic levels of technical assistance.

Means of Overcoming Obstacles

The Safe and Drug-Free School Program is working with allied entities, such as the Office of Homeland Security, the Tennessee School Resource Officer's Association, the University of Tennessee Law Enforcement Innovation Center, the National Center for Community Education, the Tennessee Legal Community Foundation, the National Facing History and Ourselves Organization and others, to help insure that limited resources are utilized in the most effective manner. A new process for training and orienting local program managers is being developed.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The office continues to research all available federal sources of funding and to insure that all funds are expended in a timely and efficient manner. Funding currently being provided by a corporate grant is carefully administered to preserve availability and to increase the likelihood of future grants. Training events and conferences are designed to become self-supporting through registration fees as evidenced by the Yes2Kids Conference and Student Disciplinary Hearing Authority Training ($70,000 and $15,000 in FY 2002-03 revenues respectively).

Means of Avoiding Unnecessary Costs and Expenditures

The office utilizes a minimum number of professional staff to administer multiple programs. Where possible, staff perform multiple roles as differing program implementation needs allow. Meetings are scheduled to avoid overnight travel. Staff frequently bring and prepare refreshments for meetings and trainings rather than utilize caterers.

Future Challenges and Opportunities

The Safe and Drug-Free Schools and Communities Program faces similar challenges to other public education
initiatives in that scarce resources and demands for accountability force policy-makers and educational leaders to closely examine the use of every dollar and every minute of the school day.

While the challenges are daunting, opportunities exist to demonstrate the cost-effectiveness of best practices in the areas of school safety, social-emotional learning (character education) and extended learning/after-school activities.

Current research indicates that these strategies can result in improved academic outcomes and enhanced teacher satisfaction. The Department's greatest opportunity is to insure that these best practices are utilized and that their value be recognized.

Performance Data Schedule

Data is collected at the end of each school year and reported to the General Assembly at the beginning of each legislative session.

Data Verification

Data verification occurs during the Federal monitoring of Titles IVa and IVb of the Elementary and Secondary Education Act (No Child Left Behind).

331.36 Special Education Services

The Division of Special Education is responsible for ensuring that each educational program for children with disabilities administered within the state is under the general supervision of the persons responsible for educational programs for children with disabilities in the State Education Agency (SEA) and meets the education standards of the SEA.

State policies ensure that public agencies provide children with disabilities with a FAPE, which means they provide them with an education that is appropriate, including appropriate supplementary aids and services, at no cost to their parents.

Statutory and Constitutional Objectives

Federal law (Individuals with Disabilities Education Act) mandates that a free appropriate public education (FAPE) is available to all children with disabilities, aged three through twenty-one, including children with disabilities who have been suspended or expelled from school.

State Board of Education requirements for Special Education services include settings that are natural or normal for the child and family, including home and community settings in which children without disabilities participate and that are considered natural or normal for the child's age peers who have no disability.

Mandated and Optional Services and Means of Providing Them

Children with disabilities are included in general state and district-wide assessment programs, with appropriate accommodations and modifications in administration, if necessary (34 CFR Section 300.138). Children with disabilities can make progress in the general curriculum. Children with disabilities participate in state/district-wide general assessment programs with appropriate test modifications and accommodations, as needed, across districts and comparable to national data. Children with disabilities participate in alternate assessments at a rate comparable to national data. The performance of children with disabilities who participate in alternate assessments improves.

This program has established goals for the performance of children with disabilities in the state that are consistent, to the maximum extent appropriate, with other goals, and standards for all children established by the state (34 CFR Section 300.137). High School completion rates, and drop-out rates, for children with disabilities are comparable to completion rates and drop-out rates for non disabled children. Suspension and expulsion rates for children with disabilities are comparable to those for children without disabilities.

To the maximum extent appropriate, children with disabilities are educated with children who are not disabled (34 CFR Section 300.550). Children with disabilities are educated with nondisabled peers, to the maximum extent appropriate. The percentage of children with disabilities in each disability category, served along each point of the continuum, is comparable to the national data and preschool children with disabilities served in settings designed for nondisabled children are comparable to national data. Eligible infants and toddlers and their families receive early intervention services (EIS) in natural environments (NE) appropriate for the child.

Performance Standards

1. Increase the percentage of children with disabilities testing at the proficient level in reading in grades three through eight.
2. Increase the percentage of children with disabilities testing at the proficient level in language arts in grades three though eight.
3. Increase the percentage of children with disabilities testing at the proficient level in mathematics in grades three through eight.

Performance Measures

1. Percentage of students scoring at or above proficient in reading.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
21%	23%	25%

2. Percentage of students scoring at or above proficient in language arts.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
12%	15%	17%

3. Percentage of students scoring at or above proficient in mathematics.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
13%	15%	17%

Obstacles to Meeting Objectives and Delivering Services

It is difficult for children with disabilities to increase annual performance levels by at least one level on TCAP General Assessments and Competency Tests. Special accommodations to address this problem have been implemented statewide. These accommodations must be appropriate for the student's learning style and special education needs.

Student categories included when determining state dropout rates as well as how dropout rates are calculated vary from state to state. Determining comparability with national dropout rates becomes difficult to calculate. In the past, Tennessee has not reported disaggregated data by specific groups of children, including children with disabilities.

Means of Overcoming Obstacles

Reading incentives, including No Child Left Behind initiatives and new state standards for students with Specific Learning Disabilities, address specific interventions to be taken both within the general education classroom prior to placement in Special Education, as well as more prescriptive or functional, curriculum-based assessment of students suspected to have a disability.

Ongoing technical assistance and training will be provided for special education teachers in appropriateness of specific accommodations and the administration of the general assessments with special education accommodations. Tennessee's data reporting will now disaggregate data relating to children with disabilities for comparison with their non-disabled peers.

Beginning with the 2002-03 school year, the state began collection of statistical data in a manner to allow reporting of disaggregated data relating to suspensions/expulsions for the specific groups of children with disabilities. The Division of Special Education will provide technical assistance to the LEAs that have suspension/expulsion rates that are more than 5%. Promising practices will be identified that engage diverse learners and manage challenging students. The Division will promote the use of these approaches through information dissemination and training activities.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Reading incentives, including No Child Left Behind initiatives and new state standards for students with Specific Learning Disabilities, address specific interventions to be taken both within the general education classroom prior to placement in Special Education, as well as more prescriptive or functional, curriculum-based assessment of students suspected to have a disability.

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Means of Avoiding Unnecessary Costs and Expenditures

Reviewing and implementing recommendation made by both the Department's Internal Audit section and State Audit.

Future Challenges and Opportunities

A continuing challenge for Special Education Services deals with implementing class load's for special education teachers that create classes small enough to fully address the needs of disabled children without being cost prohibitive.

Performance Data Schedule

Programs and services throughout the state are monitored for compliance with the Individuals with Disabilities Education Act (IDEA) on a three year cycle for LEAs and Local Early Intervention Providers. Through the newly developed Continuous Improvement Monitoring Process, the state will assess LEAs and other providers through a self-assessment, program improvement planning, and compliance monitoring process.

Special Education Staff monitor progress on the Division Strategic Plan: Personnel Development, Programs and Services for Children and Leadership and Accountability, during semi-annual staff development and planning meetings.

Data Verification

The U.S. Department of Education, Office of Special Education Programs, reviews information submitted on the Annual Performance Report. Information provided through this reporting process is accepted by OSEP or the U.S. Department of Education requests the submission of additional information until federal requirements are satisfied.

331.95 Tennessee Infant Parent Services School

The Tennessee Infant Parent Services School provides home and community-based intervention and consultation services to parents and other primary care providers of young children with disabilities below public school age. The goal of TIPSS is to address the unique needs of each time and take full advantage of the birth through age five years, which are a child's most productive learning period. Ongoing consultation and collaboration is provided the school system to assist in a smooth transition for children going from the family to the public school setting.

Statutory and Constitutional Objectives

This program assists the state in complying with federal statute, P. L. 102-119 to provide services to children with disabilities, birth through age five.

Mandated and Optional Services and Means of Providing Them

The Tennessee Infant Parent Services School (TIPSS) provides home and community-based intervention and consultation to parents and other primary care providers of young children and also works with the state's hospitals to provide hearing screening services to new born babies. While the state does not mandate this screening, the TIPSS program is working with all Tennessee birthing hospitals to provide this critical early detection and intervention service.

Performance Standards

1. Make hearing screening procedures available to all Tennessee newborns.

Performance Measures

1. Number of newborns receiving hearing screenings.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
3,351	3,500	3,500

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.35 School Nutrition Program

School Nutrition is responsible for the administration and supervision of the National School Lunch Program, School Breakfast Program, Special Milk Program, Summer Feeding Waiver, and Afterschool Snack Program in both public and private schools and residential child care institutions in Tennessee.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-6-2302 states that unless a waiver is granted, each school board shall establish a school lunch program in every school under its jurisdiction; and, under, certain circumstances (based on free and reduced price lunch participation) each school board shall establish a school breakfast program.

Mandated and Optional Services and Means of Providing Them

TCA mandates the operations of the program while the major funding source, the U.S. Department of Agriculture (USDA), mandates the provision of guidance, training, nutrition education, administrative reviews, and nutritional analyses.

Performance Measures

1. Schools visited and monitored will successfully meet national nutritional standards.
2. Tennessee public schools will be on the National School Lunch Program.
3. Tennessee public schools will be on the School Breakfast Program.

Performance Measures

1. Percentage of schools meeting national nutritional standards.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
94.5%	95%	96%

2. Percentage of schools participating in National School Lunch Program.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85%	95%	99%

3. Percentage of schools participating in the School Breakfast Program.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
25%	30%	35%

Obstacles to Meeting Objectives and Delivering Services

Busing is an obstacle to breakfast programs being operated. In many instances, the buses cannot get to the schools in ample time to offer a school breakfast program.

Cafeterias are normally required to be self-sufficient; therefore, costly programs, changes in specialized foods, etc. could cause programs to operate in the red.

Means of Overcoming Obstacles

The staff will continue to identify, through reviews and visits, schools having problems meeting the dietary guidelines or implementing specific programs.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Guidelines of the expenditure of federal USDA funds are very specific; therefore, they will continue to be maximized.

Means of Avoiding Unnecessary Costs and Expenditures

Annually the School Nutrition Staff develops a year-long plan with objectives and goals. This will continue. In addition, a needs assessment (based on input from the local school nutrition personnel) will be conducted.

Future Challenges and Opportunities

USDA is constantly changing and/or modifying regulations or adding additional requirements. The greatest challenge will be to continue to provide the same amount of training and technical assistance while adding additional responsibilities.

Performance Data Schedule

Not Identified

Data Verification

Information provided by staff is reviewed by the supervisor. Information provided by local school systems is monitored by the regional staff as well as at the state level through review of program applications.

331.45 Vocational Education Program

The Division of Vocational-Technical Education (DVTE) is responsible for administering middle and high school vocational-technical education in Tennessee in a manner to adequately prepare the state's emerging workforce. In 2001-02, there were 299,175 students were served in vocational-technical education courses.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-11-104 addresses vocational education in high schools declaring legislative intent that comprehensive vocational and technical education be made available by the state and local education agencies in grades nine through twelve.

The Carl D. Perkins Vocational and Technical Education Act of 1998 is the federal legislation that governs vocational-technical education and provides an accountability framework for student performance. The focus of this act is the continuous improvement of vocational-technical education and pointing students toward high-skill, high wage careers.

Mandated and Optional Services and Means of Providing Them

TCA mandates that vocational education programs be made accessible to all high school students and planned to serve at least 50% of the students in grades nine through twelve. Local education agencies have the latitude to determine which programs to implement based on labor market needs.

The DVTE is responsible for administering vocational-technical education programs and providing technical assistance to local education agencies. Consultants in the division work with business and industry partners to develop and implement curricula that prepares students to meet current workforce needs. This process is completed via various activities including professional development activities, support of vocational student organizations, teacher licensure, and collaboration with other divisions in the Department of Education and other departments in state government.

The Carl D. Perkins Vocational and Technical Education Act of 1998 has invoked the most rigorous accountability system in the history of vocational-technical education. The cornerstone of this legislation is made up of four core indicators of performance on which states must collect and report student attainment data. In order to receive the approximately $27 million dollars in federal funding generated annually by the act, Tennessee must submit a state Plan for Vocational Education outlining how vocational-technical education will be delivered in the state according to the tenets of the law. Tennessee has met or exceeded core indicators of performance for the last two years, and the quality indicators in our *Local Plan for Vocational-Technical Education* have been cited as a model by the U.S. Department of Education.

Performance Standards

1. Meet or exceed baseline levels of performance on the core indicators required by *The Carl D. Perkins Vocational and Technical Education Act of 1998.*

Performance Measures

1 a. Percentage of Academic Attainment of 12th grade vocational concentrators graduating from high school.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
84%	85%	86%

b. Percentage of 12th grade vocational concentrators meeting industry validated skill standards.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
93%	93%	94%

c. Percentage of graduates placed in post-secondary education, advanced training, employment, and/or military service within one year of graduation.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
79%	80%	83%

Obstacles to Meeting Objectives and Delivering Services

At a time when accountability in education is increasing, it is difficult to fully staff all positions in the DVTE. As a result, there is struggle to maintain previous levels of service to local education agencies. This budget problem also affects local education agencies, that when faced with decisions regarding allocation of scarce resources, are reducing vocational programs, pay for substitute teachers, and other needed support services.

Increasingly, it has become difficult to have the technology necessary to improve the data collection required through the federal grant. Lack of technology staff and upgrades have made it difficult to take the initiative to turn to technology for more efficient and effective data collection from the LEAs.

The Carl D. Perkins Vocational and Technical Education Act of 1998 is up for reauthorization by Congress with major changes from the previous legislation proposed.

These possibly include a shift to funding via competitive grants rather than formula and a redirection of more funds toward postsecondary education. This could prove quite detrimental to local education agencies that rely heavily on their share of the funding for capital outlay needed to modernize programs.

Means of Overcoming Obstacles

The DVTE continues to look for ways to work more efficiently and effectively in order to maintain present levels of service, mostly through the use of technology. Cooperative efforts to retain federal funding and meet all requirements for receiving it will be continued.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Of the Basic Grant dollars received, 5% is required for state administration, 10% for state leadership and 85% must flow to the Local Education Agencies through a prescribed formula. States are required to match the 5% for administration (dollar for dollar) and the maintenance of effort (100% from previous year). States must also use the federal funds to supplement, not supplant.

States that meet or exceed their negotiated levels of performance for the *Perkins Act* and the *Workforce Investment Act* are eligible for incentive grants. Having done this for the past two years, the DVTE has been notified of eligibility for incentive grant monies and is receiving $675,991.

Means of Avoiding Unnecessary Costs and Expenditures

The DVTE is relying increasingly on technology as a means to reduce unnecessary costs and expenditures. Information that was formerly mailed has now been posted on the website. In addition, use of a list serve has been implemented. Copier usage is monitored to stay within the number of copies allocated in a given month.

Audits and monitoring are utilized to insure that expenditures of funds fall within the parameters of what the federal and state legislation allow and within Education Department General Administrative Regulations (EDGAR) and the applicable Office of Management and Budget (OMB) circulars.

Future Challenges and Opportunities

The greatest opportunity for the DVTE and vocational-technical education is to continue to partner with business and industry to equip students who comprise the emerging workforce to meet the needs of today's economy. In addition to curriculum development, this would include continued partnerships with entities such as the Automotive Youth Education System and Project Lead the Way, a pre-engineering program. Partnerships within state government to eliminate duplication of services is also essential, as well as partnering where there can be mutual benefit (in this case, the Department of Economic and Community Development).

Maintaining or increasing federal and state funding remains a challenge, particularly in light of new federal legislation. In addition, the Division continues to strive to assist students in improving not only occupational skills, but also academic skills via contextual learning experiences.

Performance Data Schedule

The Division of Vocational-Technical Education is required to file a *Consolidated Annual Report (CAR)* with the U.S. Department of Education, Office of Vocational and Adult Education on December 31st of each year. In preparation for this reporting data is collected from local education agencies and then processed by the Department. To assist in this process, a timeline has been established with benchmark deadlines and checkpoints.

Local education agencies are provided with an annual *Perkins Report Card* that details their performance on each of the core indicators of performance and disaggregates subpopulations within the report. This data is used as a decision-making tool and in planning for the future

Data Verification

Improvement of data quality has been an iterative process for the DVTE. There was a steep learning curve for teachers and administrators as the required data collection system was created and implemented. However, each year, data quality continues to improve. Because there is still manual, student-reported data, staff members in the DVTE check all Management Information System (MIS) forms before they are scanned to insure accurate and complete information. In addition the Division has worked with other Divisions within the Department to clean and process data. Efforts to move toward web-based data collection that would minimize errors are being pursued. Much data can be harvested from the Education Information System (EIS) when it is fully deployed, which will reduce some of the reporting burden for LEAs.

Special Schools

331.91 Tennessee School for the Blind

The Tennessee School for the Blind (TSB) provides educational services to blind and visually challenged Tennessee children. The major emphasis is placed on the provision of appropriate services for blind children who have been placed at the school by their local school systems. TSB also works to provide outreach services to the families, teachers, and communities of students who are visually challenged. A third focus for TSB is to collaborate and coordinate the delivery of services with other agencies that serve blind and visually impaired persons.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-10-801 established the Tennessee School for the Blind, giving the State Board of Education, with recommendations from the commissioner of education, oversight responsibilities to set policies, operation guidelines, establishment of curricula, and graduation requirements.

Mandated and Optional Services and Means of Providing Them

The major emphasis at Tennessee School for the Blind is the provision of appropriate services for blind children who have been placed at the school by their local school systems. TSB also works to provide outreach services to the families, teachers, and communities of students who are visually challenged. A third focus for TSB is to collaborate and coordinate the delivery of services with other agencies that serve blind and visually impaired persons.

Performance Standards

1. Increase the percentage of students scoring proficient or better on the Gateway examinations.

Performance Measures

1 a. Percentage of students scoring proficient or better on the Gateway Mathematics Exam.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
44%	45%	45%

b. Percentage of students scoring proficient or better on the Gateway Language Arts Exam.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
80%	82%	82%

c. Percentage of students scoring proficient or better on the Gateway Science Exam.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.92 Tennessee School for the Deaf

The Tennessee School for the Deaf (TSD) offers an individualized and comprehensive educational program for hearing impaired and deaf students in a residential setting. The school provides a total learning environment that strives to equip students academically, vocationally, physically, and emotionally to meet the challenges presented by society.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-10-901 established the Tennessee School for the Deaf in Knoxville, giving the State Board of Education, with recommendations from the commissioner of education, oversight responsibilities to set policies, operation guidelines, establishment of curricula, and graduation requirements.

Mandated and Optional Services and Means of Providing Them

Each student at Tennessee School for the Deaf has an individualized education plan that, in addition to academic skills in speech, reading, and mathematics, is designed to make strides in speech articulation and listening skills.

As a residential program, it is essential to create for students a safe, nurturing, home-like environment that fosters independent living skills and social/emotional development.

TSD personnel are responsive to the daily demands of providing diagnostic and therapeutic services to students on campus as well as to families in the home.

Performance Standards

1. Increase the percentage of students scoring at or above the national average on the Stanford Achievement Test – Hearing-Impaired Version (SAT-HIV).
2. Increase the percentage of graduates earning a regular high school diploma.

Performance Measures

1. Percent of students scoring at or above the SAT-HIV national average.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
45%	50%	50%

2. Percent of graduates earning a regular high school diploma.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
40%	45%	50%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.93 West Tennessee School for the Deaf

The West Tennessee School for the Deaf provides educational and audiological services for deaf and hearing impaired students in West Tennessee as well as assistance to local school systems in West Tennessee that serve hearing impaired children.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 49-10-902 established the West Tennessee School for the Deaf in Madison County, giving the State Board of Education, with recommendations from the commissioner of education, oversight responsibilities to set policies, operation guidelines, establishment of curricula, and graduation requirements.

Mandated and Optional Services and Means of Providing Them

This program serves approximately 60 children on site and also provides audiological assessments and instructional recommendations for hearing impaired students who remain in their respective West Tennessee local education agencies.

Performance Standard

1. Increase the percentage of students scoring at or above the national average on the Stanford Achievement Test – Hearing-Impaired Version.

Performance Measure

1. Number of students scoring at or above the SAT-HIV national average.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
60%	65%	65%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.90 Alvin C. York Agricultural Institute

The York Institute serves as a model for improving rural school effectiveness by providing quality, comprehensive secondary programs to the youth of northern Fentress County as well as educational opportunities for drop-outs and adults. York serves approximately 650 students in grades nine through twelve.

Statutory and Constitutional Objectives

Tennessee Code Annotated 49-50-10 gives the State Board of Education, with recommendations from the commissioner of education, oversight of Alvin C. York Agricultural Institute for the purpose of hiring staff, prescribing curricula, establishing graduation requirements and approving budgets.

Mandated and Optional Services and Means of Providing Them

Alvin C. York Agricultural Institute provides both vocational-technical and college preparatory programs for students in grades nine through twelve. Extra-curricular activities as well as community-based programs are also provided by York faculty and staff.

Performance Standards

1. Increase the percentage of students scoring advanced level on the state administered Gateway Mathematics and Science Examinations.

Performance Measures

1.a. Percentage of students with an advanced score on the Mathematics Gateway Examination.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
90%	93%	93%

b. Percentage of students with an advanced score on the Science Gateway Examination.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
66%	70%	70%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Not Identified

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

331.97 Major Maintenance

This program exists to provide funding for major maintenance and repair projects, both scheduled and unanticipated, at the Department's facilities across the state. These facilities include the state special schools and the state funded vocational centers.

Statutory and Constitutional Objectives

Not Identified

Mandated and Optional Services and Means of Providing Them

In addition to funding, this program provides technical assistance in the areas of inspections, technical specifications, project bidding facilitation, purchasing and payment for work.

Performance Standards

1. Expend 70% of allocated funds on planned, regularly scheduled maintenance projects.

Performance Measures

1. Percentage of major maintenance funds expended on planned maintenance projects.

Actual (FY 2002-2003)	Estimated (FY 2003-2004)	Target (FY 2004-2005)
70%	70%	70%

Obstacles to Meeting Objectives and Delivering Services

The major obstacle deals with not being able to predict emergency repairs, thus, requiring reducing the amount of funds expended on planned projects. Several departmental facilities include residential facilities for children in state special schools, and some repairs cannot wait for the regularly scheduled projects.

Means of Overcoming Obstacles

It is anticipated that regularly scheduled maintenance of Department facilities will prevent some costly repairs that might otherwise be needed without regularly scheduled maintenance.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

Completing regularly scheduled maintenance project helps avoid unnecessary costs.

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Not Identified

Data Verification

Not Identified

The Tennessee Higher Education Commission

General Agency Information

The Tennessee Higher Education Commission (THEC) was created in 1967 for the purpose of achieving cooperation, coordination, and unity between the University of Tennessee and the Tennessee Board of Regents systems of public higher education. THEC's mission also includes advising the executive and legislative branches on public policy issues for higher education. In addition to its broad policy responsibility, THEC is responsible for a variety of services and programs such as:

1. Tennessee Higher Education Commission
2. Contract Education
3. THEC Grants
4. Centers of Excellence
5. Centers of Emphasis
6. Geier Desegregation Agreement

THEC administration represents some state funds while the remaining state funds are pass-through funds for Contract Education, Centers of Excellence, THEC Grants, Campus Centers of Emphasis, and the *Geier* Desegregation Consent Decree. Federal funds account for Improving Teacher Quality Grants and Veterans Education - State Approving Agency. The Workforce Investment Act is funded with federal funds received through interdepartmental revenue from the state Department of Labor. Postsecondary Education generates fee collections and the Lottery Scholarship Assessment initiative will be funded through lottery receipts. In addition THEC administers the Academic Common Market initiative.

Tennessee Higher Education Commission

332.01 Tennessee Higher Education Commission

The Tennessee Higher Education Commission's role of facilitating cooperation, coordination, and unity between the two systems of public higher education and advising the executive and legislative branch in public policy issues for higher education is consistent with other coordinating bodies of higher education. Coordinating boards are charged by governors and legislatures to resolve funding and program issues among colleges and universities, along with other specific duties. These efforts in Tennessee affect 200,000 students and total operating budgets in excess of two billion dollars annually.

Statutory and Constitutional Objectives

As required by TCA 49-7-202-(c)(1), THEC is charged with the development of a multi-year statewide master plan with a central focus on increasing educational attainment, focus on institutional missions, and expand the use of technology; develop policies and formulae for the

fair and equitable distribution of public funds among Tennessee's public post-secondary educational institutions; review and approval of new academic programs, degrees, academic departments and divisions, and off-campus teaching locations; ensure efficiency, effectiveness and eliminate duplication of program efforts; on-going studies of programs, departments, and other educational activities at Tennessee's institutions of higher learning; study and make determinations concerning the establishment of new institutions of higher learning; submit a biennial report to the Governor and the legislature on the status of higher education; fulfill the role of the Veterans Education - State Approving Agency; fulfill the program management requirements of the federal Workforce Investment Act; fulfill the statutory requirements of the Postsecondary School Authorization Act; and administer and distribute allotments for Contract Education, Centers of Excellence, Centers of Emphasis, THEC Grants, and the Geier Desegregation Consent Decree.

Mandated and Optional Services and Means of Providing Them

TCA 49-7-202(a) mandates THEC study of the use of public funds for higher education in Tennessee and to analyze programs and needs in the field of higher education. Twice a year, THEC requires institutions to submit extensive data on each higher education unit's operating budget. THEC staff analyzes the data, while ensuring that all fiscal requirements of state law have been met, and make recommendations to the Commission and the Commissioner of Finance and Administration on the operating budgets.

TCA 49-7-202(c)(1) mandates THEC to develop a master plan for the future development of public higher education in Tennessee, and make recommendations regarding the implementation of the plan. As required by TCA 49-7-202-(c)(1), THEC is charged with the responsibility of developing a master plan for public higher education, taking into account programs and functions of each existing institution. THEC has historically generated such master plans on five-year cycles, with the current master plan running through the 2004-05 academic year.

TCA 49-7-202(c)(2) mandates THEC to develop policies and formulae or guidelines for the fair and equitable distribution and use of public funds among the state’s institutions of higher learning. TCA 49-7-202(c)(2)(A) states the formula or guidelines developed by THEC should include provisions for capital outlay and the institutional operating expenditures. THEC coordinates a Formula Review committee (FRC) which oversees any structural changes and improvements to the funding formula. The FRC, which includes representatives from the governing boards, institutions, the administration, and the legislative staff, has sub-committees responsible for athletics, enrollment management, peers, and maintenance and operations issues. The FRC is currently engaged in a formal review of the funding formula and its components. THEC is utilizing the services of the President of the National Center for Higher Education Management Systems, Inc. to develop peer policies and identify preliminary lists of peers for Tennessee’s public institutions of higher education.

TCA 49-7-202(c)(3)(A), (C) mandates THEC study the need for particular programs, departments, academic divisions, branch operations, extension services, adult education activities, public service activities, and work programs of the various institutions of higher learning, with a particular view to their cost and relevance and to make recommendations to the governing boards for the purpose of minimizing duplication and overlapping of functions and services, and to foster cooperative programs among the institutions. Make recommendations to governing boards on adjustments to tuition and maintenance fees.

TCA 49-7-202(c)(4) mandates THEC review and approve or disapprove all proposals for new degrees or degree programs, or for the establishment of new academic departments or divisions within the various institutions. Each new program request undergoes a thorough review of costs, enrollment growth, faculty and staff requirements, and student demand. Reviews also examine how the requested program fits into state and institutional needs. New program requests occur, are analyzed, and monitored throughout the year.

TCA 49-7-202(5) mandates THEC conduct a program of public information concerning higher education in Tennessee. THEC maintains a web site as part of the State of Tennessee's Internet initiatives. Most of the information previously published in booklet and pamphlet formats is now available on the web site.

TCA49-7-202(c)(6) mandates THEC study and make determination concerning the establishment of new institutions of higher learning as to the desirability or undesirability of their establishment, their location, standards, functions, financing and source of governance.

TCA 49-7-202(c)(7) mandates THEC submit a biennial report to the governor and the general assembly commenting upon major developments, trends, new policies, budgets and financial considerations which would be useful to the governor and the general assembly in planning for the sound and adequate development of the state's program of public higher education. THEC publishes annual data on enrollment, graduates, finances, and other items of interest in a report called the Conditions of Education. The report is compiled through extensive data analysis and policy research conducted throughout the year by THEC staff.

TCA 49-7-202 (c)(9) mandates THEC review and approve or disapprove all proposals by an existing higher education institution to establish a physical presence at any location other than its main campus, or to expand an existing location, which will be utilized for administrative purposes or to offer courses for which academic credit is offered. THEC requires that institutions submit a request for an off-campus location site or center. Institutions are required to submit data on student and program demand, as well as how the off-campus location fits into the institution's mission. Expected expenditures for rent, utilities, maintenance and other items are required and analyzed in order to determine if the off-campus location is viable.

TCA 49-7-202 (c)(10) mandates within 30 days following the submission of the budget by the governor to the general assembly, THEC shall prepare a report which analyzes the effect which off-site academic locations have on the distribution of formula funding to the main campuses. This report shall be provided to the governor, speakers of the senate and House of Representatives, the chairs of the finance, ways and means, education, and fiscal review committees, the office of legislative budget analysis, and the Commissioner of Finance and Administration.

TCA 49-7-202(f) mandates THEC monitor, update and revise the articulation plan previously implemented by THEC to ensure the university tract program to enhance transferability of courses between the state's colleges and universities is meeting its objectives. THEC reports to the Joint Education Oversight Committee and the chairs of the House and Senate Finance, Ways and Means Committees by October 1 of each year on the progress on full articulation between all public institutions.

TCA 49-7-301 created The Academic Common Market in 1974 as a means of sharing specialized academic programs among Southern Regional Education Board states. Over 1,200 programs at the baccalaureate and higher degree levels at over 130 colleges and universities currently participate in the Market. The Academic Common Market is administered by the Southern Regional Education Board with the cooperation of 14 of the 15 SREB states. The Market allows residents of participating states to have a broader range of educational opportunities at in-state tuition rates. The Market has a three-fold purpose: (1) eliminating unnecessary duplication among states, in that it is impractical for any institution or single state to develop or maintain degree programs in every field of knowledge; (2) support existing degree programs that have the capacity to serve additional students; and (3) provide access and encourage movement across state lines for programs not available in a student's home state. THEC administers the Academic Common Market initiative in Tennessee. The Southern Regional Education Board, with the cooperation of all member states, administers the program regionally.

The federal court approved a consent decree in *Geier v. Sundquist*, settling the state's higher education discrimination litigation in January 2001. The decree provides a means by which the court can declare Tennessee's system of higher education unified and release it from the court's jurisdiction upon fulfillment of the terms of the decree. While the programs required by the decree are a responsibility of the two governing boards, the General Assembly appropriates funds to implement the decree to THEC, which in turn allocates the funds in accordance with the *Geier* Consent Decree budget approved by the Department of Finance and Administration.

The Condition of Higher Education in Tennessee legislative benchmarks were created in 1984 as an accountability measure to be developed and reported by THEC. The benchmarks were revised in 1989 to mirror goals established by the Southern Regional Education Board for its 15 member states and became known as Challenge 2000. With the passing of the year 2000, THEC established new goals to reflect The Condition of Higher Education in Tennessee. Preparation of the annual benchmark report, mandated by TCA 49-5-5024, requires access to statewide data from both public and independent institutions. THEC developed and maintains the statewide data to support this accountability measure. Through this and other assessment activities (e.g. performance funding), Tennessee continues to lead the way in developing usable accountability measures of higher education outcomes. THEC is currently updating these goals.

The Postsecondary Education Authorization Act of 1974, TCA 49-7-2001 et seq., was established to protect the education and welfare of the citizens of the State of Tennessee. THEC has been designated as the agency to authorize the operation of institutions in Tennessee, which are included under this Act. THEC establishes minimum standards concerning quality of education, ethical and business practices, health, safety, fiscal responsibility, and protects the Tennessee consumer against fraudulent institutions and practices. It also authorizes the granting of degrees, diplomas, or other educational credentials by post-secondary institutions; prohibits the granting of false educational credentials; regulates the use of terminology in naming institutions; and prohibits misleading literature, advertising, solicitation, or representation by institutions.

The Tennessee Institutes for Pre-professionals (TIP) was created in 1985 as a result of the Stipulation of Settlement in the statewide desegregation case *Geier vs. Sundquist*. The purpose of the program is to increase the representation of African-Americans in the public health professional and law schools. Each spring approximately 80 African-American students who are Tennessee residents enrolled in Tennessee public institutions are selected by committees representing the faculties of all state supported professional schools for pre-enrollment in the state's schools of law, veterinary medicine, dentistry, pharmacy, and medicine. With the funds

from the TIP program, the professional schools are able to counsel these students, assist in planning their pre-professional curricula, provide summer programs at the end of their freshman, sophomore, junior and senior years, and agree to their admission as first year professional students if they successfully complete their undergraduate work and meet minimum admissions standards. This is authorized through funding in the appropriations bill. The authority for the TIP initiative is the Stipulation of Settlement - *Geier vs. Sundquist* statewide desegregation case.

In 1983 THEC was assigned by TCA 49-7-202(b) to be the State Approval Agency for the Veterans Education Program to determine training programs in the state in which veterans may enroll and be eligible to receive veteran's education benefits. THEC works with the U.S. Department of Veterans Affairs and follows federal legislation and regulations in administering the approval program.

The Workforce Investment Act of 1998 (WIA) is a federal program that provides training that will assist the unemployed and underemployed to enter or re-enter the workforce in higher wage jobs. This office has been designated by the Governor to implement and maintain the Eligible Provider's List for the State of Tennessee. This program involves monitoring and file documentation on more than 2,800 programs offered by approximately 170 providers on the State's Eligible Providers List.

TCA 49-1-302(a)(10) mandates there is to be a joint meeting with THEC and the Commissioner of Education at least annually for the purpose of reviewing the expenditures and programs of public education. Not later than February 1 of each year, the State Board of Education and THEC shall jointly provide a report to the governor, to the general assembly, and all public schools and institutions of higher learning and their respective governing boards. The report shall include, but not be limited to: (A) The extent of duplication in elementary-secondary and postsecondary education; (B) The extent of compatibility in high school graduation requirements and admission requirements of postsecondary institutions; (C) The extent to which respective master plans of the Board and THEC are being fulfilled; and (D) The extent to which state needs in public education are being met as determined by such Board and Commission.

Tennessee's P-16 Council, a joint initiative involving Tennessee Tomorrow, Inc., the State Board of Education, and THEC coordinates improvements to learning initiatives across all levels of education and eliminates any "disconnect" between K-12 and higher education as mandated by TCA 49-5-5024. Policy goals include better preparing students to move easily through the corridors of the academic and workplace environments and increasing Tennessee educational attainment levels. The Council also promotes policies and practices that enable more Tennessee high school graduates to begin and complete college with reduced need for remedial work.

TCA 49-4-903 states THEC shall provide assistance to the general assembly and to Tennessee Student Assistance Corporation (TSAC) by researching and analyzing data concerning the scholarship and grant programs created by Public Chapter No. 298, 2003, including, but not limited to, student success and scholarship retention. THEC shall report its findings annually to the education committee of the Senate and the education committee of the House of Representatives before the second Tuesday in January. Postsecondary educational institutions that enroll students receiving scholarships or grants under this part shall provide all information required by TSAC and THEC that is necessary for administering, reviewing, and evaluating such programs. TSAC and THEC may choose to collect data from higher education institutions or through the University of Tennessee system, Board of Regents, or the Tennessee Independent

Colleges and Universities Association. TSAC and THEC shall maintain confidentiality of individual student records in accordance with the Family Educational Right to Privacy Act.

Performance Standards

1. Recommend operating, capital outlay, and capital maintenance appropriations for colleges, universities, technology centers, and non-formula higher education entities to the Governor within five working days of THEC's November meeting.
2. Recommend proposed tuition and fee levels to the UT and TBR systems prior to either system's June Board meeting where fees are set.
3. Publish the Condition of Higher Education in Tennessee report annually.
4. Collect the student enrollment data from the two governing boards to support recommendations for higher education funding, enrollment analysis, and THEC's responsibilities associated with the lottery scholarship assessment initiative.

Performance Measures

1. Business days after THEC's November meeting recommendations are made.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1	5	5

2. Days prior to June Board meeting recommendations are made.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
7 UT 16 TBR	5	5

3. Days after February 15 report sent to the Legislature.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
6	0	0

4. Days after November 1 report is issued.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
+ 14	0	0

***** Lottery Scholarship Assessment initiative data was not part of this report, as the lottery legislation had not been enacted at that time.

Obstacles to Meeting Objectives and Delivering Services

THEC finds it challenging to acquire state, regional, and national data in a timely fashion as do other educational policy organizations. Data and policy analysis from other states and regions of the country are necessary to make informed decisions. In order to construct the operating and capital recommendations, THEC utilizes data from several sources including the Federal

Integrated Postsecondary Education Data System (IPEDS) and the Southern Regional Education Board Data Exchange (SREB). Both IPEDS and SREB begin the data collection process at the end of each academic year. Thus, once they collect, analyze and disseminate data, it is generally at least two years old. Because THEC relies heavily on data from external sources, the delay in the availability of IPEDS and SREB data is an obstacle for THEC in generating the most accurate possible operating and capital recommendations for higher education.

Means of Overcoming Obstacles

THEC has no control over changing the data collection process other than expressing the desire for more current data to the Federal Integrated Postsecondary Education Data System and the Southern Regional Education Board Data Exchange.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Policies are in place to: receive federal funds in a timely fashion; maximize the allowable indirect costs for applicable programs; maximize fees charged to proprietary businesses under the authority of Postsecondary Education; and maximize the amount of federal funds for Tennessee higher education.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury; internal assessments and reviews of programs are made by program staff; and internal budget monitoring and review of actual expenditures are conducted regularly.

Future Challenges and Opportunities

The collection and analysis of student data faces the challenge of increasing data requirements as a result of the passage of the Tennessee lottery scholarship program. The number and magnitude of data elements required to meet state reporting mandates will significantly impact the scope of THEC's data collection efforts. The scholarship program will require the development of new computer systems to capture pertinent information regarding state financial aid and student academic performance.

Performance Data Schedule

The data for standard 1 will be available by the November Commission meeting date + 5 days.
The data for standard 2 will be available by 5 Days Prior to last System Board meeting.
The data for standard 3 will be available by February 15.
The data for standard 4 will be available by November 1.

Data Verification

THEC staff keep records in hard copy and digital format that contain the content and transmittal date of: THEC's actions; recommendations sent to the Department of Finance and Administration and the Legislative Budget Office; recommendations sent to the University of Tennessee and the Tennessee Board of Regents; reports submitted to the Legislature; and enrollment data transmitted by the two boards.

332.02 Contract Education

The Contract Education Program is a program through which Tennessee residents are enrolled in Tennessee's private colleges and universities to address special educational needs in the state.

Also included in this program is Minority Teacher Education, which provides services that expand the recruitment pool of African Americans preparing to teach in grades K-12.

Statutory and Constitutional Objectives

TCA 49-7-203(b) directs THEC to consider the "special" educational needs of the state.

The Minority Teacher Education Program is authorized through funding in the Appropriations Bill.

Mandated and Optional Services and Means of Providing Them

The Contract Education Program is a contract program with independent colleges and universities to address special educational needs in the state. These needs may be "special" relative to the location in Tennessee of the need, or to the unique or specialized program required to meet the need. These special needs are economically met by the state through the contract program rather than initiating, expanding, or extending comparable programs in public institutions (TCA 49-7-203(b)). In order to address the special educational needs in the state THEC contracts for the following unique or specialized programs: Mortuary Science, Sign Language Interpretation, Optometry, Family Practice, Preventive Medicine, Nursing, Dentistry, Minority Doctoral Scholars Program, and medical education Conditional Grant Program.

The Minority Teacher Education Program, a competitive matching grant program, was established in 1989 to support pilot projects designed to expand the recruitment pool of minorities preparing to be teachers. Developed jointly by higher education institutions and local school districts, these projects target groups including teacher aides, substitute teachers, high school students, community college students, non-degreed community residents, military personnel, and college graduates presently not teaching who are interested in entering the teaching profession. Project initiatives must include matching state-appropriated funds with local funds on a one-to-one basis and the establishment of an evaluation model. Annual renewal of the funding for each

pilot will be contingent upon the project achieving specified performance benchmarks. This program is authorized through funding in the appropriations bill and TCA 49-7-202(b).

Performance Standards

1. Increase or maintain the number of students in specialized education programs.
2. Increase or maintain the percentage of students who are participants in the Minority Teacher Education Program.

Performance Measures

1. The number of students in specialized education programs.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
162	148	148

2. The percentage of graduating students who have participated in the Minority Teacher Education Program entering the teaching profession in Tennessee.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85%	90%	90%

Obstacles to Meeting Objectives and Delivering Services

There are no obstacles to meet the objectives and delivery of services under the current level of funding.

Means of Overcoming Obstacles

There are no obstacles.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury, internal assessments and reviews of programs are made by program staff, and internal budget monitoring and review of actual expenditures are conducted regularly.

Future Challenges and Opportunities

Future challenges include increasing the funding for more students to meet the demands of the special needs of the state and to increase the recruitment pool of African Americans to teach in grades K-12.

Performance Data Schedule

Specific data regarding the number of students enrolled in specialized education programs will be available by the 30th of June.

Teacher Education placement is tracked to establish the success of the individuals participating in the program. Data will be available for the standard regarding Minority Teacher Education annually in May of the year following their graduation, by which time they should have held a teaching position for an academic year.

Data Verification

Contracts in the Contract Education program can be verified for accuracy and content by documents in the business office at each institution or through Legal and Regulatory Affairs at THEC.

Minority Teacher Education information is collected at the colleges or universities that assess the specified performance benchmarks of each student, and a follow-up verification is made with the State Department of Education Teacher DataBase. The data, reviews, and analysis are available in the Academic Affairs Division of THEC.

332.09 THEC Grants

The THEC Grants program serves three initiatives: Tuition Discount and Fee Waiver; The Harold Love Outstanding Community Service Awards; and Improving Teacher Quality Grants, which is a federally funded initiative.

Statutory and Constitutional Objectives

The statutory authority for the tuition discount and fee waiver initiative is TCA 8-50-114, 8-50-115, 49-7-119.

The statutory authority for the community service awards initiative is TCA 49-7-208, 209.

The federal statutory authority for the Improving Teacher Quality Grants is PL 107-110 ESEA (Title II Part A).

Mandated and Optional Services and Means of Providing Them

The Tuition Discount and Fee Waiver Programs were authorized by the General Assembly and THEC was charged with formulating the rules and regulations to implement the waiver by TCA 8-50-114, 8-50-115, 49-7-119. This distribution is made by prorating the actual fee waivers granted and reported by the University of Tennessee and the Tennessee Board of Regents systems' business offices.

The Community Service Awards were created in 1991 to reward faculty and students in higher education who provide outstanding public service to the community by TCA 49-7-208, 209. The community service awards are presented in conjunction with the spring meeting of THEC. Arrangements include coordinating the task force for selection of recipients and having the $1,000 award checks prepared for presentation to the recipients.

The Improving Teacher Quality Grant Program is a federal government initiative that THEC was designated to administer in TCA 49-7-202(b). The Improving Teacher Quality Grants contracts are executed with colleges and universities to conduct 23 workshops for a projected 750 K-12 teachers and principals.

Performance Standards

1. Distribute available tuition discount and fee waiver funds annually.
2. Execute the Improving Teacher Quality Grant contracts with colleges and universities to conduct workshops for teachers and principals.

Performance Measures

1. Days after June 30 fee waiver information collected and funds distributed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
15	0	0

2. Teachers and principals trained through the Improving Teacher Quality Grants.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
750	750	750

Obstacles to Meeting Objectives and Delivering Services

There are no obstacles to delivering these services.

Means of Overcoming Obstacles

There are no obstacles to delivering these services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The federal funds are distributed by the U.S. government to all states on a pro-rata basis. Tennessee's share of these funds has been stable to slightly increasing.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury, internal assessments and reviews of programs are made by program staff, and internal budget monitoring and review of actual expenditures are conducted regularly. The Improving Teacher Quality Grants program staff conducts on-site visits to monitor and assess each training grant.

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Specific data regarding the distribution of tuition discount and fee waiver funds will be contained in a STARS accounting report that will be available by the 20th of the month following the end of the quarter.

Specific data regarding the number of teachers and principals participating in training will be available January 1 following the grant period.

Data Verification

File documentation associated with transfers of funds in this program is located in the business office of THEC in the University of Tennessee and Tennessee Board of Regents payment folders. These files indicate the exact date the transfers are made.

The Legal and Regulatory Affairs Division maintains grant contracts and the Academic Affairs Division maintains report data. The data used in measurement can be accessed in the respective offices at THEC.

Centers of Excellence

332.08 Centers of Excellence

In 1984, the General Assembly and the Governor of Tennessee together announced the creation of a new "Centers of Excellence" program for Tennessee public higher education. Selected through a statewide competitive process, the 26 Centers are designed to build on the research strengths of the Tennessee Board of Regents universities and the University of Tennessee campuses.

The 26 Centers of Excellence located at public universities make significant contributions. State funding provides an avenue for bridging the gaps between disciplines and the various stages of research. The Centers provide a neutral ground where scholars with similar interests can develop research teams to generate patents and disseminate or "spin-off' research findings, provide consulting services, and facilitate the transfer of technology to business and industry. State funding also provides seed money to acquire additional external funding from federal and private sources. The Centers support graduate education by providing stipends for graduate assistants, along with opportunities to participate in research with experts of national reputation.

Their purpose is to focus on the capabilities of public higher education for service to the people of Tennessee by expanding the state's diverse research base, from Neuroscience to Basic Skills and from Manufacturing to Livestock Diseases. The centers have increased Tennessee's national and international stature and its economic competitiveness.

Statutory and Constitutional Objectives

The statutory authority for this program is contained annually in the Appropriations Bill.

Mandated and Optional Services and Means of Providing Them

THEC is mandated to provide the service of distributing funds provided for the Centers of Excellence. This distribution process is accomplished by THEC staff in the Fiscal Affairs Division quarterly. The benefits of the Centers of Excellence are created by the four-year institutions of public higher education in Tennessee.

Performance Standards

1. Distribute funds provided for the Centers of Excellence.

Performance Measures

1. Days after the beginning of the quarter Centers of Excellence funds distributed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
23	30	30

Obstacles to Meeting Objectives and Delivering Services

There are no obstacles to delivering the service.

Means of Overcoming Obstacles

There are no obstacles to delivering the service.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury, internal assessments and reviews of programs are made by program staff, and internal budget monitoring and review of actual expenditures are conducted regularly.

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Specific data regarding this standard will be contained in a STARS accounting report that will be available by the 20th of the month following the end of the quarter.

Data Verification

Files associated with transfers of funds in this program are located in the business office of THEC in the University of Tennessee and Tennessee Board of Regents payment folders. These files indicate the exact date the transfers are made.

Centers of Emphasis

332.11 Campus Centers of Emphasis

The Centers of Emphasis program began in 1984 as a companion program to the Centers of Excellence. Each community college has at least one Center. The 15 Centers have been established on a competitive basis through formal proposals submitted to the Tennessee Board of Regents for approval. Programs are authorized on two-year cycles and must demonstrate evidence of continuing benefit and meeting prescribed goals in order to continue.

The Centers' activities directly support and augment specific academic disciplines and contribute to program accreditation or special recognition by disciplinary associations. The Centers impact student outcomes on test scores and employment. The Centers work closely with local business and industry in a variety of ways that are mutually beneficial.

Collaborations promote internship and co-op programs, consulting services and technical assistance, access to equipment, and job placement opportunities. The Centers provide industrial training for businesses and social and medical service agencies, technology training for faculty, and tutors for students.

Statutory and Constitutional Objectives

The statutory authority for this service is contained annually in the Appropriations Bill.

Mandated and Optional Services and Means of Providing Them

THEC is mandated to provide the service of distributing funds provided for the Centers of Emphasis. This distribution process is accomplished by THEC staff in the Fiscal Affairs Division quarterly. This is performed on a quarterly basis and any adjustments necessary during the year are coordinated with the Department Finance and Administration Budget Office. The benefits of the Centers of Emphasis are created by the two-year institutions of public higher education in Tennessee.

Performance Standards

1. Distribute funds provided for the Centers of Emphasis.

Performance Measures

1. Days after the beginning of the quarter Centers of Emphasis funds distributed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
23	30	30

Obstacles to Meeting Objectives and Delivering Services

There are no obstacles to delivering the service.

Means of Overcoming Obstacles

There are no obstacles to delivering the service.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury, internal assessments and reviews of programs are made by program staff, and internal budget monitoring and review of actual expenditures are conducted regularly.

Future Challenges and Opportunities

Not Identified

Performance Data Schedule

Specific data regarding this standard will be contained in a STARS accounting report that will be available by the 20th of the month following the end of the quarter.

Data Verification

Files associated with transfers of funds in this program are located in the business office of THEC in the University of Tennessee and Tennessee Board of Regents payment folders. These files indicate the exact date the transfers are made.

Geier Desegregation Agreement

332.13 Geier Desegregation Settlement

The *Geier* Consent Decree requires that the State of Tennessee take specific steps to create a system of public higher education that preserves and enhances access and educational opportunity

for black and white students in Tennessee's public colleges and universities. It also sets forth procedures for further planning, assessment, and additional actions by the State of Tennessee.

Statutory and Constitutional Objectives

United States District Court for the Middle District of Tennessee Nashville Division
Geier, et al v. Sundquist, Civil Action No. 5077 (Judge Wiseman)
Consent Decree January 4, 2001.

Mandated and Optional Services and Means of Providing Them

This program is mandated by court decree. The objective of this Agreement is to eradicate policies and practices traceable to the State's prior de jure system of public higher education that continue to foster segregation. The parties are committed to reaching this objective in a timely and non-discriminatory manner and agreed that with the implementation of all the provisions of the Consent Decree the vestiges of segregation will be eliminated. The parties and their counsel further agreed that the timely implementation of the Consent Decree will require all parties to act in a prompt and cooperative manner throughout the life of the Agreement. Accordingly, all parties and their counsel agree they shall (1) act in good faith, (2) seek to minimize expenses and costs whenever possible, and (3) not withhold consent unreasonably.

The Legislature will provide up to $75 million to address these required actions and the Department of Finance and Administration, in cooperation with the Legislative Budget Office, prepared a budget to address each of the court ordered activities or services. THEC was identified as the entity that would be responsible for the coordination of the *Geier* program and funds. THEC staff coordinates all efforts related to the *Geier* program between the Department Finance and Administration, the Tennessee Board of Regents, and University of Tennessee. Among its responsibilities, THEC coordinates revisions to the budget for the *Geier* allotment code, distribution of funds, reporting of expenditures by the systems, and year-end closing activities. Funds are also distributed from the *Geier* allotment code for the payment of a court-appointed monitor and the plaintiffs' attorneys' fees as ordered by the court and approved by the Attorney General's office of the State of Tennessee.

Performance Standards

1. Distribute funds provided for the *Geier* Consent Decree and maintain records for disbursements and expenditures.

Performance Measures

1. Days within the beginning of the quarter or approval of budget revisions by the Department of Finance and Administration *Geier* desegregation consent decree funds distributed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Budget Approval + 7	30	30

Obstacles to Meeting Objectives and Delivering Services

Delivery of this service is moderately time-consuming during the normal budget preparation cycle or under any circumstance where revisions to the budget are required.

Means of Overcoming Obstacles

THEC staff has organized a record-keeping system using Microsoft Word and Microsoft Excel for budget preparation, budget revisions, distribution of funds, expenditure reporting, and end of year accounting.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely with state dollars.

Means of Avoiding Unnecessary Costs and Expenditures

External audits are performed by the Comptroller of the Treasury, internal assessments and reviews of programs are made by program staff, and internal budget monitoring and review of actual expenditures are conducted regularly.

Future Challenges and Opportunities

The *Geier* consent decree envisioned a law school at Tennessee State University or the creation of doctoral programs if a law school could not be implemented. Funds originally allocated for the law school will be redirected toward financing the alternate programs, and to date one alternate program has been approved by the Tennessee Board of Regents and THEC.

Performance Data Schedule

Specific data regarding this standard will be contained in a STARS accounting report that will be available by the 20th of the month following the end of the quarter.

Data Verification

Files associated with transfers of funds in this program are located in the business office of THEC in the University of Tennessee and Tennessee Board of Regents payment folders. These files indicate the exact date the transfers are made.

Health and Social Services

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TennCare

General Agency Information

The TennCare program purchases comprehensive health insurance for 1.32 million people in Tennessee as a Medicaid demonstration project. TennCare provides medical and behavioral services to eligible individuals through managed care organizations (MCO) and behavioral health organizations (BHO). TennCare also pays for nursing home care for certain low-income disabled people, institutional care for persons with mental retardation, as well as home and community care for a subgroup of these persons. TennCare provides support for other state services, such as state-operated psychiatric hospitals, services of local health departments, the Families First program and services for children in state custody. Programs include:

1. TennCare Administration
2. TennCare Services
3. Waiver and Crossover Services
4. Long Term Care Services

Administration

318.65 TennCare Administration

TennCare Administration establishes policy, provides oversight, and directs the TennCare program and contracts with other agencies that provide administrative service components for the TennCare program. Administration is divided into Program Administration, Policy and Planning, Quality Assurance, and Long Term Care.

Statutory and Constitutional Objectives

Based on TCA 71-5-102, the State of Tennessee is required to make possible medical assistance to those recipients determined to be eligible under this chapter to receive medical assistance that conforms to the requirements of Title XIX of the Social Security Act and the regulations promulgated pursuant thereto. Medical assistance pursuant to this part may also be provided pursuant to any federal waiver received by the state that waives any or all of the provisions of Title XIX or pursuant to any other applicable federal law to the extent adopted by means of an amendment to the required Title XIX state plan.

Mandated and Optional Services and Means of Providing Them

The state is mandated to provide all major Medicaid categories as required by Title XIX of the Social Security Act. The State of Tennessee has elected to provide coverage through a Section 1115 waiver for individuals at low poverty levels without access to health insurance and individuals who cannot get health insurance due to a severe medical condition. Tennessee also

elects to provide coverage to women under 65 with breast and cervical cancer who were identified through the Center for Disease Control's screening process.

Performance Standards

1. Send reverification notices to Tenncare population.
2. Implement a Preferred Drug List to control costs.

Performance Measures

1. Percentage of Tenncare Standard individuals sent notices.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
99.6%	100%	100%

2. Percentage of compliance with the Preferred Drug List.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0%	90%	92%

Obstacles to Meeting Objectives and Delivering Services

A major challenge for Medicaid programs across the country has been the increased costs in prescription drugs. Tennessee has seen a huge increase in costs associated with prescriptions for medical and behavioral services.

Another major challenge for TennCare has been the need for a new information system. The system currently in place is basically a claims processing system for the old Medicaid program and isn't as efficient with managed care issues as the state would like.

Means of Overcoming Obstacles

TennCare is working to implement a Preferred Drug List and contract with a Pharmacy Benefits Manager to assist in controlling pharmacy costs. Also, by continuing the annual Actuarial Study, TennCare should be able to better predict medical and behavioral drug costs associated with the TennCare population.

Last year, TennCare released an Request-For-Proposals (RFP) and selected Electronic Data Systems (EDS) to develop a new information system. The TennCare systems conversion is scheduled to be implemented by January 1, 2004. By working closely with EDS and Office of Information Resources (OIR), TennCare hopes to provide a seamless conversion to the enrollees and business partners.

Means of Maximizing Federal and Other Non-State Sources of Revenue

TennCare has sent a plan to the Centers for Medicare and Medicaid Services (CMS) to implement Medicaid Administrative Claiming Program with local school systems. When implemented, this plan will allow school systems to access federal funding for administrative costs associated with providing health care in the school. TennCare is also working with the Department of Education to implement a School Based Health Services program. This program would allow the state to draw federal funds to pay for the actual health service provided in a school based setting to TennCare eligible children. Between these two programs, it should bring substantial new federal dollars to Tennessee and help the school systems cover some of their costs.

Means of Avoiding Unnecessary Costs and Expenditures

TennCare will avoid unnecessary costs by implementing a Preferred Drug List to assist in controlling the rising costs of prescription drugs related to the program.

TennCare is also working on a proposal to implement a disease management program. This program would work with individuals to identify ways to control their medical expenses related to their conditions before it would force the individual into hospitalization or surgery.

TennCare is also releasing an RFP to acquire the services of a Pharmacy Benefits Manager (PBM). This vendor will be skilled in evaluating prescriptions for enrollees and identifying problems, such as fraud and abuse. This vendor will also be responsible for identifying additional economies of scale related to the volume of drugs used by TennCare enrollees every year.

Future Challenges and Opportunities

Over the last fiscal year, TennCare has partnered with the Department of Human Services to determine eligibility of the TennCare waiver population. During the initial process, both Departments have identified revisions to current processes to improve procedures and make things easier for the enrollee.

A challenge which is not new to the TennCare program is budget neutrality. The federal government requires that TennCare not spend any more money to cover the waiver population than would be used to cover today's Medicaid population. With health care inflation and drug costs soaring, it will be a continuing challenge to manage the program within existing funds.

Another challenge within TennCare today is identifying and maintaining quality staff in all divisions of the program and keeping those staff motivated. It is difficult for staff to maintain positive morale in the current environment.

Performance Data Schedule

TennCare evaluates reverification numbers on a monthly basis. Each month, Systems reports to TennCare and DHS management who has been mailed notices and whether their coverage has been approved, denied or is pending. This information is available seven days after the end of each month.

Information on the savings generated by the Preferred Drug List will be available on a quarterly basis. This information will be reported to TennCare management by the 15th day of the month following the end of the quarter.

Data Verification

The Department of Human Services performs a Medicaid Eligibility Quality Control survey throughout the year. A sample of all Medicaid approvals and denials are identified and evaluated. The goal is to review the case for any errors in determining eligibility for all members of the case. DHS must maintain an error rate of less than 3% per year.

TennCare contracts with the University of Tennessee to perform a similar function for TennCare waiver cases. A sample of uninsured and uninsurable approvals and denials are identified and evaluated. The goal is to review the case for any errors in determining eligibility for all members of the case.

TennCare also has a Program Integrity Unit. This unit is responsible for investigating cases for potential fraud and abuse. This unit also evaluates cases on the basis of information accuracy for members of the case and other individuals that may be living in the home.

TennCare Services

318.66 TennCare Services

TennCare Services provides funding for the traditional basic health care and mental health services that were previously paid for by Medicaid. The program provides funding to managed care organizations that provide basic medical services, behavioral health organizations that provide mental health services, and agencies that provide medical care.

Statutory and Constitutional Objectives

Based on TCA 71-5-107, Medical Assistance, including demonstration projects and programs designed to enhance the efficient and economic operation of the Medicaid program, shall be provided to those classes of individuals determined to be eligible under TCA 71-5-106.

Mandated and Optional Services and Means of Providing Them

Based on TCA 71-5-107 (1-24), the state may provide the services listed in sections 1-24. Medical services are provided through contracts with Managed Care Organizations (MCO) and behavioral services are provided through contracts with Behavioral Health Organizations (BHO). Some of those services are:

In-Patient hospital services (other than services in an institution for tuberculosis or mental disease); Out-patient hospital services; Other laboratory and x-ray services; Skilled nursing home services (other than services in an institution for tuberculosis or mental disease); Physicians' services, whether furnished in the office, the patient's home, a hospital, a skilled nursing home, or elsewhere; Drugs; and Medical screening, diagnostic and treatment services for eligible categorically connected individuals under 21 years of age.

Since TennCare is a managed care program, the MCOs and BHOs are authorized to provide any cost effective alternative to the services listed in TCA 71-5-107 (1-24).

Performance Standards

1. Increase overall Managed Care Organizations' ratings through External Quality Review Organization (EQRO) study.
2. Increase customer (enrollee) satisfaction as reported by the University of Tennessee's annual survey.

Performance Measures

1. Number of MCO/BHOs with a two star or above rating.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
12	10*	10*

* TennCare has cancelled the contracts of two managed care organizations for Fiscal Year 2004.

2. Overall customer satisfaction results reported.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
85%	87%	87%

Obstacles to Meeting Objectives and Delivering Services

Across the United States, managed care Medicaid programs are struggling to actually manage the care of the assigned population. With no substantial increase in federal funding over the last several years, states with expanded Medicaid programs have had difficulty maintaining the level of quality services while containing costs as federally required.

Means of Overcoming Obstacles

Over the first several months of the new fiscal year, the Bureau of TennCare will be working to develop a new structure for the TennCare program. The intent will be to determine what has been successful through managed care and what could be done better through other methods. The result should be a program restructured in a way that will improve its ability to meet program requirements.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Recently, TennCare received approval from CMS for additional federal funding of $175 million. Included in the Terms and Conditions of the Section 1115 Waiver approved on May 31, 2002, CMS has included a provision that capped expenditures during the 18 month stabilization period from July 1, 2002 until December 31, 2003. State officials negotiated with CMS for several months to get relief from this provision of the Terms and Conditions. When this cap was lifted, it allowed Tennessee to collect an additional $175 million in federal funds.

Means of Avoiding Unnecessary Costs and Expenditures

Currently, the state and the MCOs have contracts similar to an Administrative Services Organization (ASO) arrangement. The state is taking the majority of the fiscal risk for TennCare enrollees. In January, the state will move MCOs back into risk arrangements where the state and the MCOs share the fiscal risk for the population.

TennCare is also evaluating the possibility of outsourcing collection of third party liability (TPL). TPL is available when an individual has insurance coverage other than TennCare and the state can collect partial payment for services provided to enrollees from the other insurance. Maximizing this collection process would avoid costs to TennCare.

Future Challenges and Opportunities

The state has a unique opportunity to restructure MCO contracts in January to share risk between the state and the MCOs. This restructuring should provide the state with additional cost control measures currently unavailable.

In cooperation with the Department of Mental Health and Developmental Disabilities, the state will release a Request for Proposal (RFP) this fall to acquire a new BHO partners. New contractors in the area should allow the state greater flexibility to manage costs and provide quality service to behavioral health enrollees.

Performance Data Schedule

The External Quality Review Organization (EQRO) reports will be completed annually for each calendar year and will be available by June 30 of the following year. These reports are delivered to the TennCare Medical Director and are available for public review by request.

The annual Customer Satisfaction Survey completed by the University of Tennessee is completed during August for the past fiscal year. Results are reported by the end of August to the Director of TennCare. TennCare places the report on the TennCare website for review by the general public and delivers to the TennCare Oversight Committee.

Data Verification

Department of Health completes surveys of health outcomes of children on an annual basis. These surveys of the total population should be comparable to the TennCare population. The surveys conducted by the Department of Health are used to verify information reported in the annual University of Tennessee study.

TennCare has also asked for random studies and phone surveys of the TennCare population to determine if trends identified in Nashville are occurring across the state. This information can confirm or deny issues raised by the EQRO and University of Tennessee.

Waiver and Crossover Services

318.67 Waiver and Crossover Services

Waiver and Crossover Services provide funding for Home and Community Based Services waivers, as well as co-payments and premiums for individuals eligible for TennCare and Medicare. The waivers serve the developmentally disabled population and people who require nursing services.

Funding for Medicare premiums and co-payments allows TennCare recipients, who are eligible for Medicare, the ability to receive medical services that would otherwise be unavailable to recipients due to financial constraints.

Statutory and Constitutional Objectives

Based on TCA 71-5-107(d), the Department shall assist in the development of a demonstration project which would provide cost effective alternatives to long-term care under the provisions of the Omnibus Budget Reconciliation Act of 1981, to the extent permissible under the federal law, for institutional and residential homes which provide domiciliary care for the aged and mentally disabled, including the Foster-Group Care Home Association.

Mandated and Optional Services and Means of Providing Them

The Bureau of TennCare provides oversight to the Division of Mental Retardation Services (DMRS) and its applicable waivers. The goal of this program is to provide services to individuals receiving Mental Retardation services in a community setting instead of in an institution.

TennCare and DMRS have been working diligently over the past several months to establish a partnership between the programs. There is a renewed sense of cooperation and an enhanced focus on the quality of services provided to this population. While TennCare is mandated to oversee the DMRS waiver programs, both programs are committed to working together to improve the availability of all types of services.

This program also provides funding for Medicare premiums and co-payments for individuals who meet the financial and technical requirements for this program.

Performance Standards

1. Within the Home and Community Based pilot waivers, reduce repeat audit findings.
2. Complete field pilot of new Quality Assurance Process to monitor Mental Retardation provider quality.

Performance Measures

1. Repeat audit findings for Home and Community Based pilot waivers.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
5	0	0

2. Complete field review of all 10 sections of new Quality Assurance Process.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0 sections	10 sections	10 sections

Obstacles to Meeting Objectives and Delivering Services

Currently, the state is under a moratorium which will not allow DMRS to enroll new individuals in the waiver for services. This has a negative effect on the state because it increases the need for services and the State's waiting list continues to grow.

Another obstacle that the state faces is the lack of a fully developed community provider network to move individuals from an institution into a community based setting.

Means of Overcoming Obstacles

TennCare is working with DMRS to resolve the quality issues identified by CMS which resulted in the moratorium. TennCare has developed a new quality assurance review process and it will be tested in the field this summer. TennCare is also reviewing a sample of all investigations completed by DMRS for corrective action and follow-up.

TennCare and DMRS are working with advocates and a court-ordered mediator to develop a long range plan for developing new quality community providers across the state.

Means of Maximizing Federal and Other Non-State Sources of Revenue

TennCare will receive $800,000 over the next three years from a Real Choice System Change Grant. This grant will be used to establish a mechanism to conduct service surveys on MR services and an information tracking system to match the needs identified in the mechanism.

Means of Avoiding Unnecessary Costs and Expenditures

TennCare and DMRS are working with the Attorney General's office to settle several court cases related to the State's provision of services for individuals receiving or needing mental retardation services. By working with the court appointed mediator, the state hopes to reach an agreement with the plaintiffs to settle these cases with a single course of action and avoid the expense of court costs.

TennCare is also working to establish a procedure to informally resolve appeals of waiver applications and PAEs. This new procedure should reduce the number of appeals going to hearing and provide a faster resolution for the enrollee.

Future Challenges and Opportunities

Funding has been provided for 2,168 slots in a new Home and Community Based Services Waiver. While enrollment has yet to begin, TennCare is working with the Commission on Aging to get this program started and fill at least half of the open slots during Fiscal Year 2003-2004.

TennCare is also evaluating potential pilot projects in different regions of the state. These pilot projects would focus on specific populations and make available to them home and community based services as an alternative to an institution. Separate from the large HCBS waiver listed above, a pilot project would allow more specialized services to address a specific need.

Performance Data Schedule

Based on the annual Comptroller's audit, the Division of Long Term Care has developed corrective action plans to resolve audit findings identified in the Home and Community Based Services waivers. These corrective action plans are reviewed by the Director of Long Term Care on a quarterly basis to ensure the plans are being followed and the audit findings resolved.

The new Quality Assurance process will be piloted in each region of the state and revised as improvements are identified. The entire process will be implemented statewide by the end of the fiscal year and TennCare will report its findings and final documentation to CMS.

Data Verification

Based on information identified in the corrective action plans, the Director of Long Term Care can involve TennCare's Internal Audit staff or staff from the Comptroller's office to review data or findings of concern.

The field reviews being completed for the Quality Assurance Process will be compiled manually. Results will be reflected in the final documentation used for the ongoing Assessment tool and will be provided to CMS for review.

Long Term Care

318.68 Long Term Care Services

Long Term Care Services provide funding for individuals that are in need of long term institutional care. This program provides funding for general intermediate care facilities, skilled nursing facilities, state mentally retarded intermediate care facilities, and private mentally retarded intermediate care facilities.

Statutory and Constitutional Objectives

TCA 71-5-1301 through 71-3-1310 establishes a grant assistance program to provide financial support for eligible individuals residing in nursing homes licensed by the state. This program is available to low income individuals who need assistance paying for appropriate levels of care in a nursing home.

Mandated and Optional Services and Means of Providing Them

When a TennCare enrollee needs to be admitted into a nursing home, the individual or family meets with the nursing home and together, they complete a Pre-Admission Evaluation (PAE). This information is then sent to TennCare's Long Term Care Division for evaluation. Staff within Long Term Care look at the needs of the individual and TennCare rules to establish what level of care is needed. Once that determination is made, TennCare returns the PAE to the nursing home informing them of the level of services that are authorized for the individual and how much TennCare will pay for those services.

Performance Standards

1. Complete all reviews of Pre-Admission Evaluations (PAE) within eight days.
2. Reduce current backlog of nursing home appeals.

Performance Measures

1. Percentage of Pre-Admission Evaluations completed within eight days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

2. Number of current nursing home appeals which are backlogged.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
20	15	12

Obstacles to Meeting Objectives and Delivering Services

The main obstacle to delivering services for this program is health related. Some individuals entering nursing homes have unique health situations which make it difficult for a typical nursing home to provide adequate care for the individual. Examples of these health related issues are individuals on ventilators, obesity, behavioral issues, etc.

Another obstacle is the number of nursing home beds available for TennCare clients when a home is restricted or closed due to a licensure issue. Even the closure of a small home in a rural community can severely restrict the program's ability to place the individual in a nursing home near their family that can provide the needed services.

Means of Overcoming Obstacles

TennCare continues to work with the Tennessee Health Care Association (THCA), which represents nursing homes, to identify and develop appropriate housing for some of the most difficult cases. Pilot projects and federal grants are reviewed to determine community need and adequacy in providing needed services.

TennCare also works with the Department of Health and THCA to outreach to providers to identify needs related to licensure and insure that providers understand state regulations. While this is a small project at this time, it continues to be a valuable resource going forward.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Long term care is currently maximizing all federal revenue available.

Means of Avoiding Unnecessary Costs and Expenditures

Since Department of Health is responsible for facilities licensure and review, it eliminates the need for TennCare staff to duplicate efforts with additional licensure staffing. TennCare is only responsible for reviewing the reports issues by Department of Health which allows Long Term Care to identify potential problems before placing individuals in a facility that is on the brink of closure.

Future Challenges and Opportunities

As the population of the United States grows increasing older, all states are working to identify quality care solutions for the aged. Tennessee is no different in this aspect. However, Tennesseans lead some of the most unhealthy lifestyles in the country which will increase the need for specialized care as the population ages and is dependent on others for care.

Performance Data Schedule

Quarterly, the Director of Long Term Care communicates with the TennCare Office of General Counsel to evaluate the current backlog of nursing home appeals. Due to the length and complexity of these cases, it is extremely difficult to resolve them informally or hold a hearing with an administrative law judge.

The Pre-Admission Evaluation (PAE) manager and clerical manager monitor the resolution of PAEs on a daily basis. This is a manual process today but should be automated during the next fiscal year with the new TennCare Information System.

Data Verification

Since PAE processing data is reviewed on a daily basis, discrepancies are identified quickly and trends are extremely noticeable.

Department of Mental Health and Developmental Disabilities

General Agency Information

In March 1953, the Department of Mental Health was created by enactment of the general assembly to provide for the better treatment and welfare of persons with mental illness or mental retardation. In June 2000, the general assembly re-created the agency, changed its name to the Department of Mental Health and Developmental Disabilities (MHDD), and passed a comprehensive revision of the mental health and developmental disability law, Title 33 of the Tennessee Code Annotated. The revised law expanded significantly the Department's authority to coordinate, set standards for, plan for, monitor, and promote the development and provision of services and supports to meet the needs of persons with mental illness, serious emotional disturbance or developmental disabilities through the public and private sectors.

The MHDD is the state's mental health and developmental disabilities authority and is responsible for system planning, setting policy and quality standards, system monitoring and evaluation, disseminating public information and advocacy for persons of all ages who have mental illness, serious emotional disturbance or developmental disabilities. By agreement with the Bureau of TennCare, the Department also oversees and monitors the programmatic components of the TennCare Partners Program. Monitoring responsibilities include assessment of the adequacy of the provider network and the quality of services provided. The MHDD also provides administrative support services to the Division of Mental Retardation Services, Department of Finance and Administration.

The Department's three most significant, recent accomplishments are the comprehensive revision of its laws, which now focus on a community-based system of services for people with mental illness, serious emotional disturbance or developmental disabilities; the housing initiative, which has created 2,997 housing options, ranging from 24-hour supervised group housing to home ownership, for people with mental illness using an initial appropriation of $2.5 million to leverage into $53,091,311; and the criminal justice initiative, which has 16 staff serving 21 counties to provide daily consultation to staff in local jails and court systems to assist with diversionary, treatment and aftercare services. This staff provides training for police, jail staff and judiciary staff; and they are developing emergency transportation agents and transportation alternatives for individuals with mental illness.

The Department is divided into the following program areas:

1. Administrative Services Division
2. Mental Health Services Administration
3. Community Mental Health Services
4. Lakeshore Mental Health Institute
5. Middle Tennessee Mental Health Institute
6. Western Mental Health Institute
7. Moccasin Bend Mental Health Institute
8. Memphis Mental Health Institute
9. Major Maintenance

Administrative Services

339.01 Administrative Services Division

Administrative Services directs the regulatory and administrative responsibilities of the Department. Staff in the Commissioner's office provide and coordinate legal and medical advice, legislative liaison activities, public information and education, planning and policy responsibilities, auditing and licensing functions, support services in human resource administration, oversight and monitoring of the TennCare Partners Program as well as develop and implement special programs and projects such as the housing initiative and compliance with the Health and Insurance Portability and Accountability Act (HIPAA), Title VI and Title IX of the Civil Rights Act, and the Americans with Disabilities Act (ADA).

This program also has a Division of Administrative Services that provides support services, which enable the other services, facilities and regulatory staff to fulfill their duties and responsibilities. The division oversees purchasing and facility management operations, major maintenance and capital outlay projects; provides budgeting and accounting functions, claims payments, data processing and systems reporting; develops and maintains automated systems applications for the central office and state-operated facilities; and coordinates food service for the MHDD facilities.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 33-1-201 gives the Department responsibility for system planning, setting policy and quality standards, system monitoring and evaluation, disseminating public information and advocacy for persons of all ages who have mental illness, serious emotional disturbance, or developmental disabilities.

TCA 33-1-201 and 33-2-101 require the Department to plan and promote a comprehensive array of high quality prevention, early intervention, treatment, and habilitation services and supports based on the needs and choices of service recipients and their families. Service recipients and service recipients' families must be included in planning, developing and monitoring the service systems.

TCA 33-1-307 directs the Department to establish a structured information system to gather all data necessary to carry out all of its duties related to planning, needs assessment, standard setting, evaluation, and development of services and supports for current and potential service recipients.

TCA 33-1-401 and 1- 402 mandate a statewide planning and policy council to assist in planning a comprehensive array of high quality prevention, early intervention, treatment and habilitation services and supports and to advise the Department on policy, budget request, and developing and evaluating services and supports. TCA 33-2-202 and 2-203 require two other tiers of planning and policy councils, state and regional, to provide citizen input into policy planning.

TCA 33-2-201 requires the Department to prepare and maintain a three-year plan, updated annually, for mental health and developmental disabilities services based on the statewide planning and policy council's recommendations and the assessment of the public's need for mental health and developmental disability services and supports.

TCA 33-2-301 and 2-302 mandate the Department to set and regulate compliance with basic quality standards for services and supports to all persons in Tennessee served on the basis of mental illness, serious emotional disturbance or developmental disability.

TCA 33-2-403 and 2-404 provide authority to license and adopt rules for licensure of services and facilities operated for provision of mental health, developmental disability and personal support services.

TCA 33-2-501 directs the Department to develop an array of options for transportation for all regions of the state.

TCA 33-2-1101 requires the Department to calculate the charges for services it provides. The methodology for determining these costs must be approved by the Comptroller of the Treasury and the Commissioner of Finance and Administration. TCA 33-2-1102 requires MHDD to establish rules to determine indigency and reimbursement.

Mandated and Optional Services and Means of Providing Them

Through the Commissioner, the MHDD is charged with setting the direction and policy for the state's mental health and developmental disability service systems. The Commissioner fulfills this duty through the administrative and regulatory service sections in Administrative Services. Direction for the delivery of mental health services is supported by the Office of the Medical Director, who provides required clinical oversight of the TennCare Partners Program, the Regional Mental Health Institutes (RMHIs) and clinical policies, and promotes the optional service of general public awareness about mental illness and serious emotional disturbance (TCA 4-3-1603, 33-1-303, and 33-2-101).

The Office of Public Information supports the mandated administrative responsibility of disseminating public information and making reports on the service system, the Department's programs, services and facilities (TCA 33-1-201and 1-402(c)). The Office of Legal Counsel provides a mandated service, i.e., advising the licensure review panel, and several optional services such as providing legal advice to the Commissioner, contract review, serving as hearing officers for rulemaking hearings and representing the MHDD in commitment and civil service proceedings (TCA 33-2-403(d)(1) and 33-1-306).

The Office of Planning and Policy Development supports the mandated responsibility for community-based system planning; planning services and supports to meet the public's need for mental health and developmental disability services based on an annual needs assessment; and preparing and maintaining a three-year plan for all mental health and developmental disability services and supports for the state (TCA 33-1-201, 1-304, 2-101 and 2-201). The office also supports the mandated service to assure appointments to three levels of planning councils, facility boards of trustees and the state Family Support Council, as required, to provide citizen participation in policy planning (TCA 33-1-401, 2-202, 2-901 and 5-208).

The Office of Consumer Affairs supports mandated services by assisting service recipients in gaining access to TennCare services, resolving complaints and problems and providing information about eligibility, benefits, premiums, co-payments, grievances and appeals. This office also serves as liaison in consumer and advocacy activities; monitors compliance with Title

VI and Title IX of the Civil Rights Act by MHDD and its contract providers, works with Division of Mental Retardation Services community providers and the Behavioral Health Organizations (BHOs); and coordinates Americans with Disabilities Act (ADA) activities for the Department (TCA 33-1-201 and 33-2-101).

The Office of Housing Planning and Development supports the mandated responsibility for planning for and promoting a comprehensive array of services and supports for people with mental illness by developing safe, quality, affordable and permanent housing options based on service recipient needs (TCA 33-1-201, 2-101 and 2-102). The office provides essential services to support people with mental illness to prevent homelessness and to aid their integration into least restrictive settings. This office also provides community outreach and education to diminish the stigma persons with mental illness face in their everyday lives.

Administrative assistance for mandated and optional services in the delivery of mental health services is provided by the offices of Budget, Fiscal Services, Information Systems Management, Construction and Engineering, General Services, Housing Planning and Development, Human Resources, and Internal Audit. The Budget Office monitors expenditures and develops the annual budget request based on the MHDD three-year plan as mandated by TCA 33-2-201. Fiscal Services provides payroll services, reviews audit findings and takes corrective action as indicated; provides accounting services for federal and community services grants and contracts and ensures that all income and expenditures are received, disbursed and recorded and all accounting, reporting and reconciliation functions are performed. These services are optional (TCA 33-1-301 and 1-302). Fiscal Services provides the mandated service of establishing methods for the annual determination of charges for services provided in programs operated by MHDD and the determination of indigence (TCA 33-2-1101 and 2-1102).

Information Systems Management (ISM) is responsible for all aspects of the software and hardware used by MHDD which includes planning, analysis, design, development, implementation, installation and ongoing support. ISM supports the mandated service to have a structured information system to gather all data necessary for MHDD to carry out its duties related to planning, needs assessment, standard setting, evaluation and promotion of service development (TCA 33-1-307).

The Office of Internal Audit provides mandatory administrative services by performing routine financial, programmatic and special audits of the MHDD and its contract agencies and conducting investigations of theft, mismanagement or abuse by MHDD employees or contract agencies. This office's work is coordinated with the comptroller of the treasury and is performed according to general accounting office standards (TCA 33-1-302 and 4-3-304 (7) and (9)).

The Construction and Engineering Section provides optional administrative services of facilities management, engineering and related services for the MHDD and its affiliated community agencies. This section manages a comprehensive major maintenance program and coordinates all real property transactions (TCA 33-1-302). The General Services Section provides the optional services of procurement, fleet management, mail services, records management and transportation for MHDD staff. This section also serves as property officer for all fixed assets, property of State of Tennessee (POST) monitor, and custodian for printing, publications, and forms (TCA 33-1-301).

The Office of Human Resources provides optional administrative services and gives policy management advice and technical assistance to the central office and RMHIs on personnel related matters. The staff advises employees regarding ADA, EEOC, employee relations, employee

benefits, classification and compensation, recruitment, training, performance evaluations and personnel transactions (TCA 33-1-303).

Two sections in Administrative Services provide mandated regulation of the provision of mental health services. The Office of Managed Care provides oversight, monitoring and evaluation of the Behavioral Health Organizations (BHO), which contract to provide behavioral health services for the TennCare Partners Program (TCA 33-2-101). The Office of Licensure also provides a mandated, regulatory service to protect Tennesseans who need mental health, developmental disability or personal support services by applying the MHDD licensure law, rules, and quality standards (TCA 33-2-403, 2-404, and 2-301).

The Commissioner of MHDD believes the current delivery method of providing mandated and optional services of the Administrative Services' program is the best and most cost-effective way. MHDD contracts for administrative services only when the need is less than full time or state salaries are not competitive.

The designation as mandated or optional services noted above relates only to mental health and developmental disability law. Some Administrative services such as Fiscal Services, General Services, Legal Counsel and Human Resources are required by other parts of the Tennessee Code and for the operation of the MHDD and its facilities.

Performance Standards

1. The cost of the administrative services division as a percentage of total departmental costs will not exceed 7%.

Performance Measures

1. The cost of the administrative services division as a percentage of total departmental cost.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
5.5%	5.3%	5.3%

Obstacles to Meeting Objectives and Delivering Services

The state's current mental health provider system is deteriorating because of low reimbursement to providers and their decisions to limit or cease providing mental health services; limited private insurance coverage for mental health services in the state; and the allocation of health care dollars is disproportionate to the prevalence of mental illness. Without sufficient mental health service providers available, the Department's ability to develop and maintain a comprehensive system of services for people with mental illness or serious emotional disturbance is constrained.

In March 2002, people with developmental disabilities other than mental retardation became eligible for services and supports from the MHDD, and the Department established the Office of Developmental Disabilities in January 2003 to plan, develop and implement services for persons with developmental disabilities other than mental retardation. To date, only planning funds have

been allocated with no appropriations to MHDD to provide services and support to persons with developmental disabilities.

Many of the services provided by Administrative Services, i.e., personnel, purchasing, payments, budget preparation, contracting, and information systems management, follow the requirements of central government. Thus, increases in the requirements of any of these activities may increase the MHDD 's administrative costs.

Title 33 now requires that the Department license services as well as facilities. Many service providers do not provide services in a facility. This expanded authority has increased the number of licenses issued and the workload of the licensure section. Because the Department's current licensure is geared to facilities, changes in licensure inspection protocols also must be instituted.

MHDD's responsibility for systems planning and annually updating its three-year plan, based on an assessment of the public's need for mental health and developmental disability services, requires evidence-based data. Although the MHDD has authority to request such data from other state agencies and the private sector, it lacks enforcement authority if requests for information are unanswered. Also, there is nothing in state law requiring any county or local data about mental illness, serious emotional disturbance or developmental disability to be reported to the Department. The best and most accurate data come from those things MHDD regulates and requires to be reported. MHDD service system planning relies on national prevalence data and other limited, evidence-based research.

Means of Overcoming Obstacles

The Department is working to increase the mental health services provided in the state. Currently, MHDD is reviewing the mental health services system with the goal of presenting a plan to the Governor in the near future for a new service model to improve mental health services delivery, including how providers are compensated.

The newly established Office of Developmental Disabilities staff has applied for federal education funds to begin providing services to people with developmental disabilities. No state funds were required for match.

Communication between branches and departments of state government is very important to minimize increased administrative costs. The Department, through its Commissioner, Deputy Commissioner, legislative liaison staff, and public information staff, works to inform all branches of state government of the effect of new or proposed laws, policies and procedures on the Department and its operations.

Increased use of information technology in MHDD 's administrative responsibilities assists in meeting additional requirements within current resources. The Department is currently developing a licensure operations management system that will allow MHDD to track and manage licensure functions more efficiently. Components of this system such as computerized report completion and submission and incident tracking and follow up will reduce paperwork and save staff time.

To obtain needed data for all planning purposes, MHDD will propose legislation to close a gap in current law and add enforcement authority to access needs assessment data. The Department will also initiate an interagency collaboration with the Department of Health to identify ways MHDD

can use data collected by the Department of Health for mental health and developmental disability planning needs and, thereby, avoid duplication.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department has established an in-depth cost accounting system, which tracks and distributes expenditures. This system ensures that all costs attributed to reimbursable activities are included in the amounts billed for services. Administrative Services' expenditures are included in the costs of all Department services, which maximize the amount of federal and other non-state revenue the Department receives.

Services to people with developmental disabilities can be provided via a 1915(c) waiver, which provides approximately $2 in federal funds for each state dollar. This avenue maximizes the benefit of state funds to serve people with developmental disabilities, but it also creates an entitlement to services for eligible individuals. Such an entitlement makes the 1915(c) waiver less tempting, especially in tight budget times.

Means of Avoiding Unnecessary Costs and Expenditures

The Comptroller audits MHDD every two years, and the Department's internal audit section conducts continuous reviews (TCA 33-1-302(b)(1) and (2) and 4-3-304(7) and (9)). When problems with internal fiscal controls are found, the director of fiscal services establishes policy to address the issue and internal audit follows up to ensure that the problem is corrected. In this way, unnecessary costs and expenditures are avoided, and the Department ensures that all expenditures, payments and contracts follow state and Department policy.

The Comptroller's audit recommendations for fiscal years ending June 30, 2000 and June 30, 2001 found that MHDD did not have a current related-party transaction policy. A policy has been developed and approved by the Commissioner. The audit report also found that the property of the State of Tennessee (POST) system was not updated adequately. This, too, has been corrected with responsibility assigned to designated staff to ensure that as personal property is added, moved or retired, the appropriate change to the POST system is recorded.

Title 33 revisions include additional authority for MHDD to avoid unnecessary costs by requiring the Commissioner to initiate interagency agreements that enhance the efficiency and effectiveness of public fund expenditures, i.e., avoid duplication (TCA 33-1-308). The Commissioner also is required to collaborate with all relevant state agencies to coordinate the administration of state programs and policies that directly affect service recipients with respect to treatment, habilitation and education (TCA 33-1-304(2)). Pilot projects authorized by Title 33 are ways to experiment or improve service in unique ways (TCA 33-1-301(d)).

Future Challenges and Opportunities

The Department is challenged to assure access to services and supports for all persons with mental illness, serious emotional disturbance or developmental disability in a managed care environment as funding resources decrease. Demand continues to exceed supply. MHDD must find means to increase the availability of effective community-based prevention, early

intervention, treatment and rehabilitation services and reduce reliance on high-cost inpatient treatment settings to avoid potential lawsuits related to the U.S. Supreme Court decision in *L.C. & E.W. vs. Olmstead*. A related issue is the need for improved access to services tailored to high-risk and high-cost populations such as those with dual disorders, the elderly population, and those involved in the criminal or juvenile justice systems. The Department has an opportunity to use a leverage model, such as the one used by the housing initiative, to meet these challenges.

The Department must devote more staff resources to seek additional funding opportunities through private or federally funded grants to expand the array of mental health and developmental disability services in Tennessee. After years of waiting for a "home" agency, people with developmental disabilities are now waiting for the home agency to provide services to them.

The Department is challenged with planning and promoting the availability of a comprehensive system of services and supports based on the needs of people with mental illness, serious emotional disturbance or developmental disability. Very little planning data exists for the population with developmental disabilities, i.e., only those served in special education and those who receive SSI. The Department is challenged with building a data infrastructure to meet all federal and state mandates as well as planning needs that include an annual assessment of the public's need for mental health and developmental disability services and support.

MHDD is further challenged to de-stigmatize mental illness, serious emotional disturbance and developmental disabilities; to obtain parity for mental health benefits; to ensure quality of care; to build adequate service capacity; to improve accessibility to and integration of data for planning; and to maximize financial and workforce resources.

Some state salaries, especially in professional mental health classifications, are not competitive. Recruitment and retention of professionals required in the state mental health service system is increasingly more difficult and rises to emergent in some classes like nursing. Chapter No. 355, Public Acts, 2003, which was initiated by the Commissioner of MHDD, is the first step in addressing the nursing crisis in mental health by authorizing the flexibility to employ nurses to work a reduced schedule and accrue full benefits.

The program is also challenged by new requirements under the Health Insurance Portability and Accountability Act (HIPAA). Because of the nature of the Department's responsibilities, private sensitive health care information is used extensively in the regional mental health institutes (RMHIs) and the central office. Protecting this information and providing services simultaneously requires many changes in the operations of the Department, its facilities and its business partners.

Performance Data Schedule

Actual expenditures are reported monthly by allotment code through the State of Tennessee Accounting and Reporting System (STARS) accounting system. The STARS reports are used to determine the cost of administrative services relative to total MHDD expenditures.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited by the Department of Finance and Administration Division of Accounts. Reports generated to determine compliance with standards are reviewed by the Director of Budget to ensure calculations are correct.

The MHDD Office of Licensure tracks and verifies service and facility monitoring and takes follow-up as indicated with MHDD legal counsel and Commissioner.

Mental Health Services

339.05 Mental Health Services Administration

Mental Health Services Administration performs the fiscal, programmatic, regulatory and operational responsibilities for the Division of Mental Health Services. These functions include planning, promoting and coordinating a comprehensive array of community services for children with serious emotional disturbance and adults with severe and persistent mental illness; providing training, monitoring and evaluation of mental health forensic inpatient and outpatient services; monitoring and providing technical assistance to the five regional mental health institutes; and monitoring expenditures of all funds, including reimbursement requested by grants and contracts. To complete the array of mental health services, the Division staff applies for and administers awarded federal and non-governmental grants.

Mental Health Services Administration is organized into six sections: Adult Services, Children and Youth Services, Special Services, Inpatient Services, Mental Health Planning and the Office of Operations.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 33-2-101, 33-2-102, 33-6-103 and 33-8-103 make the staff of the Mental Health Services Administration responsible for planning, promoting and coordinating a comprehensive community services system for children with serious emotional disturbance and adults with severe and persistent mental illness.

TCA 33-2-202 directs the Department to maintain a statewide network of regional planning councils, as well as a statewide Mental Health Planning and Policy Council, which report community service needs and the adequacy of local mental health service system delivery to the Division of Mental Health Services, to MHDD, and to the MHDD Planning and Policy Council.

Mandated and Optional Services and Means of Providing Them

Mandated mental health services for children, youth and adults include inpatient and outpatient juvenile court evaluations and forensic services, which are provided through contracts with community agencies and state and private hospitals. The Special Services section provides case

management training, monitoring and evaluation of mental health juvenile court and forensic inpatient and outpatient services (TCA 37-1-128, 33-7-301 and 33-7-303).

The Inpatient Services section conducts standards monitoring and provides technical assistance in the five regional mental health institutes and other pertinent training to private hospitals (TCA 33-2-101).

The optional provision of mental health services for children, youth and adults includes prevention, early intervention, rehabilitation, and recovery and support services. Both the Children and Youth section and the Adult Services section plan and promote mental health services that complete an array of community mental health services. The array consists of prevention, early intervention, treatment (provided by the TennCare Partners Program), rehabilitation and recovery services. The array, excluding treatment provided by TennCare Partners, is funded by grants, and is planned, contracted to providers, monitored and evaluated by these sections (TCA 33-2-101, 33-2-102, 33-6-103 and 33-8-103).

The Office of Operations monitors expenditures of all funds, including the reimbursements requested by grantees and contract providers. Operations also provides the fiscal administration of all federal and non-governmental mental health services grants awarded to MHDD.

The Mental Health Planning section administers the optional program components of federal grants including the Community Mental Health Services Block Grant, the Mental Health Data Infrastructure Grant and FEMA disaster grants, as necessary.

Performance Standards

1. Mental Health Services administrative staff applies for grants which provide mental health services for adults with severe and persistent mental illness and children with serious emotional disturbance.

Performance Measures

1. The number of grant applications submitted.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
8	9	11

Obstacles to Meeting Objectives and Delivering Services

Mental Health Services' statutory responsibilities and current grant obligations leave little opportunity for staff to apply for grants that could bring additional services to people with mental illness or serious emotional disturbance. Although some grants allow hiring full-time employees, state salaries generally are not competitive, particularly in areas where the market demand is great such as research and evaluation.

Means of Overcoming Obstacles

As the demand for mental health services increases, the Department has identified the need for a grant writer with research experience to increase the Department's ability to apply for more grants, including those with research and evaluation requirements.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department utilizes a cost accounting system to track and distribute the expenditures of the Division of Mental Health Services. This system ensures that all costs attributable to reimbursed activities are included in the amounts billed for services. Administrative services expenditures are included in the costs of many Department services maximizing the amount of federal and other non-state revenue the Department receives.

The CMHS Block Grant allows 5% of the grant award to be used to administer the grant. These funds offset expenditures incurred in the implementation of other grant requirements and fund four positions. Allowable expenditures include travel reimbursement for members of the regional and state mental health planning councils, required by federal and state law, to have citizen and service recipients' input and recommendations into all aspects of the mental health service system. Without the block grant funds, state dollars would be necessary to pay the travel expenses.

The DMHS staff is vigilant in their search and application for grant funds that provide services for persons with mental illness or serious emotional disturbance. Through DMHS' successful efforts, mental health services are available to individuals who otherwise probably would not be served. (See 339.08 re: grant programs information.)

Means of Avoiding Unnecessary Costs and Expenditures

Joint interagency collaboration for planning and budgeting in grant applications and administration could avoid unnecessary duplication of match funds, often required by grants. Interagency collaboration on planning and service delivery implementation can also prevent or eliminate some obstacles, such as certain legal roadblocks or neighborhoods that attempt to prevent people with mental illness from living in their community because of the stigma of mental illness.

A state grant clearinghouse could minimize duplication of effort among state agencies.

The Office of Operations uses internal fiscal accountability procedures to monitor payments for reimbursement requests. The Office of Operations also monitors and reports the fiscal responsibilities of all grants.

Future Challenges and Opportunities

As state resources decrease, there is an increased reliance on federal funds. Challenges escalate as available federal and non-governmental funds to states decrease and there is more competition

for available non-state sources of revenue. Neither state nor federal funds have been designated for providing behavioral health services to people in jails.

Federal government mandates are often in conflict with state needs, such as the disallowance of using federal alcohol and drug funds along with federal mental health funds for treatment for persons with co-occurring mental illness and substance abuse disorders. However, at least 50% of people with mental illness also have a substance abuse disorder.

The challenges and opportunities presented here require unique collaborations and partnerships between mental health and alcohol and drug agencies to share funds for providing needed services.

Performance Data Schedule

Mental Health Administration staff continuously seek grant opportunities to provide additional services. Data are collapsed and reported quarterly. A system of documentation will be established per departmental procedures.

Data Verification

Director level staff not assigned to data collection or supervision of data reporters will conduct data documentation review. Search data may be randomly requested.

339.08 Community Mental Health Services

The Division of Mental Health Services (DMHS) serves adults with mental illness and children with serious emotional disturbance by planning, promoting and contracting for an array of community mental health services which are complementary to the mental health treatment services provided by the TennCare Partners Program. The TennCare Partners Program is Tennessee's behavioral health managed care service delivery system. TennCare Partners is operated in conjunction with the TennCare managed care organizations and replaced Medicaid for the provision of physical and behavioral health care services in Tennessee.

Community mental health services include prevention, early intervention, support services, rehabilitation, recovery and forensic services, and juvenile court evaluation services. Services and supports are planned in consultation with stakeholders including service recipients and their families, advocates, service providers and agencies.

The adult priority population is defined as an individual who currently has, or at anytime during the past year has had, a diagnosable mental, behavioral, or emotional disorder of sufficient duration that has resulted in functional impairment which substantially interferes with or limits one or more major life activities. The child (up to age 18) priority population is defined as a child who currently has or at any time during the past year has had, a diagnosable mental, behavioral, or emotional disorder of sufficient duration that has resulted in functional impairment which substantially interferes with or limits the child's role or functioning in family, school or community activities.

The Division of Mental Health Services maximizes available funds for services by applying for federal and public grants. The Division applies annually for the Community Mental Health Block Grant and uses the funds to wrap around TennCare Partners services and fill gaps in the service system not funded by TennCare Partners. The DMHS uses an invoice tracking system of all requested reimbursement for funded services to provide financial oversight.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 33-2-101 and Public Law 102-321 require the Department to plan, coordinate, administer, monitor, and evaluate state and federally funded services and supports as a community-based system within the total system of services and supports for persons with mental illness, serious emotional disturbance, developmental disabilities, or at risk for such conditions and their families.

Public Law 102-321 established a Block Grant for Community Mental Health Services permitting the allocation of funds to states for the provision of mental health services to children with serious emotional disturbance and adults with serious mental illness.

TCA 33-6-103 and 33-8-103 require the Department to maintain an array of services and supports for adults with mental illness and children with serious emotional disturbance who are priority populations.

Mandated and Optional Services and Means of Providing Them

The Department of Mental Health and Developmental Disabilities (MHDD) must plan for and promote a comprehensive array of high quality prevention, early intervention, treatment and habilitation services and supports based on the needs and choices of service recipients and their families (TCA 33-2-102). MHDD defines "comprehensive array" as types of services which stakeholders and professional expertise support as needed and/or known to be effective. These service types include prevention, early intervention, support services, rehabilitation, and recovery. MHDD is mandated to provide inpatient and outpatient forensic services to children and adults (TCA 37-1-128 and 33-7-301 and 7-303). Mandated outpatient forensic services are provided via contracts (TCA 33-7-301 and 37-1-128).

The John B. settlement agreement requires MHDD to monitor and report on the delivery of Early Periodic Screening, Diagnosis and Treatment (EPSDT) services.

Optional mental health services for children and adults include prevention, early intervention, support services, rehabilitation and recovery. These services are provided by grants to provider agencies (TCA 33-2-102).

Optional mental health treatment services are also provided by the TennCare Partners Program, which is overseen and monitored by MHDD.

Performance Standards

1. Increase the number of grantees meeting program criteria on initial monitoring review.

2. Grantees not meeting program criteria will submit corrective action plans.

Performance Measures

1. The percentage of grantees achieving contract compliance.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
76% (to date)	78%	80%

2. The percentage of grantees submitting a corrective action plan.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
82% (to date)	90%	95%

Obstacles to Meeting Objectives and Delivering Services

There are three main obstacles to planning, promotion and development of a comprehensive array of mental health services: increased demand for services, workforce shortage and the stigma of mental illness. As the population grows, the demand for services increases and the service system resources are strained. Tennessee's population increase is notable in the mental health service system with a steady five-year increase in the number of TennCare-enrolled children and adults in the priority populations.

The workforce shortage of mental health professionals includes adult and child psychiatrists, nurses and pharmacists. The number of service recipients is increasing and the workforce is not keeping pace, which results in inadequate service capacity to meet the need. As Tennessee's population grows, so does its cultural diversity. A scarcity of mental health treatment professionals with knowledge and skills in adjusting treatment for different cultures and languages is an obstacle to a comprehensive service system.

The stigmatizing misconceptions society has about people with mental illness are an ongoing obstacle to planning and promoting the mental health service system. For example, as the Department plans for meeting the housing needs of people with mental illness, neighborhood residents often fight against the rights of others to live unrestricted in community neighborhoods.

Means of Overcoming Obstacles

The need to overcome the obstacles of limited service capacity and the workforce shortage have similar means for alleviating the problems such as introducing recruitment incentives for attracting professionals. Also, an increased use of telemedicine more efficiently utilizes existing manpower resources, which is especially applicable to mental health service delivery in rural areas.

Stigma issues require educating the public about mental illness as a treatable disease from which recovery is possible. Destroying myths requires persistent educational efforts. Also, educating primary care professionals about the signs of depression in older adults may positively impact the suicide rate in that population.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Community Mental Health Services receives additional funding from federal grants, including but not limited to: CMHS Block Grant, PATH Grant, Real Choice Systems Grant (Housing Within Reach), and a System of Care Grant for the Nashville Connection.

Federal funds provided through the CMHS Block Grant are designated for services to individuals with a primary severe and persistently mentally ill (SPMI) or severely emotionally disturbed (SED) diagnosis. The state is required to submit an application annually. A Maintenance of Effort (MOE) is required whereby the state must maintain the expenditure of state funds for community services to be equal to the average expenditures for these community services of the prior two state fiscal years. A second MOE requires the expenditure of state funds for services to children to maintain the expenditure amount established in State Fiscal Year 1994.

The PATH Grant is restricted to individuals and their families who are homeless. There is a three to one funding match ($3 federal to $1 state) which has been passed on to the recipient agencies. PATH is currently matched with local funds in excess of $180,000 with no state match funds. State funds supplement this program but do not meet the match requirement as the recipients fulfill that aspect of this grant.

The Creating Homes Initiative grant has leveraged a state appropriation of $2.5 million into $53,091,311 creating approximately 3,000 housing options for people with mental illness. The leverage allows this initiative to continue obtaining local, state and federal funds.

The Real Choice Systems Change Grant is a three year, $1.8 million federal grant, which is focused on securing a systems change to provide access to safe, quality, affordable, permanent and supportive housing for Tennesseans with mental illness and co-occurring disorders. This grant requires a 5% in-kind match, fulfilled through a joint state and contract agency.

The Statewide System of Care Grant for the Nashville Connection started with a $3 federal to $1 state fund match for the first three years of the grant award. For the fourth year, September 1, 2002 through August 31, 2003, this match decreased to $1 federal for every $1 state funds. For the fifth year, which begins September 1, 2003, the match changes to $1 federal funding to $2 in state funds through August 31, 2004 at which time the grant ends. Tennessee is eligible for $1.5 million in federal funds for the fifth year but will receive only $750,000 because the state does not have sufficient match dollars to receive the $1.5 million.

MHDD continues to search for additional public and privately funded grants.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD utilizes an internal fiscal accountability procedure for monitoring of internal financial controls for payments to assist in avoiding unnecessary costs.

The Division of Mental Health Services (MHS) uses intra-agency and interagency collaboration to plan and implement services to avoid duplication of effort and obstacles, e.g., collaboration with the Tennessee Fair Housing Council to develop materials to counter efforts by local neighborhood associations to prevent people with mental illness from living in their neighborhood.

Future Challenges and Opportunities

For the planning and promotion of a comprehensive array of mental health services, challenges include continuing to increase capacity to meet community needs, an aging population with unique needs, and meeting new confidentiality regulations while improving communications with agencies and other stakeholders. A tremendous challenge is growth in the mental health service system to serve individuals who need mental health services but are not included in the priority populations. Adults with serious mental illness and children with serious emotional disturbance are the priority populations for mental health services and supports (TCA 33-6-103 and 33-8-103).

Tennessee's population increased by 24% from 1990 to 2000. Applying the national prevalence standard of 5.4% for mental illness to Tennessee, an estimated 231,701 adults have a serious mental illness for which some level of treatment is needed. The prevalence standard for serious emotional disturbance is 9%; an estimated 125,866 children and youth have a serious emotional disturbance in Tennessee. 12% of the Tennessee population is 65 years of age or older; Tennessee has the fourth highest rate of poverty in the nation for persons age 65 or older. The rate of suicide is highest among older adults relative to all other age groups; the suicide statistics in the elderly are alarming.

The U.S. Supreme Court Olmstead decision challenges all states to serve people with mental illness in the least restrictive environment to meet their needs and desires for choices.

MHDD can take advantage of a growing body of knowledge, which is research-based, on effective and efficient mental health service delivery options.

Performance Data Schedule

The performance data schedule of the Division of Mental Health Services requires quarterly data submission and reports.

Data Verification

The MHDD Office of Licensure tracks and verifies service and facility monitoring. DMHS randomly samples agency-maintained documents to verify data.

General Agency Information on the Regional Mental Health Institutes

The Regional Mental Health Institutes (RMHIs) provide inpatient psychiatric services, including evaluation, treatment, and discharge planning to persons with mental illness or serious emotional disturbance who meet statutory criteria for hospitalization. The RMHIs provide acute treatment, which focuses on stabilization of psychiatric symptoms and resolution of crisis situations, with discharge to aftercare services as soon as the service recipient can safely be moved to a less restrictive environment. The RMHIs also provide sub-acute treatment for service recipients whose conditions are less amenable to treatment and require longer hospitalization. The RMHIs also conduct court-ordered inpatient evaluations.

The loss of Tennessee's exception to the Institutions for Mental Diseases (IMD) exclusion will have a huge fiscal impact on operation of the RMHIs. In 2002, the CMS announced that Tennessee's exception to the exclusion will be reduced by 50% beginning in July 2005 and reduced completely by July 1, 2006. Admissions to the RMHIs have increased each year for the past seven years. If this trend continues, state funds must replace the revenue associated with the loss of the exception to the IMD exclusion.

339.10 Lakeshore Mental Health Institute

Lakeshore Mental Health Institute (LMHI) is in Knoxville and provides inpatient mental health services for persons in the 24 counties of MHDD Planning Regions I and II in East Tennessee. LMHI currently operates 190 beds and serves adults, children and youth.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Title 33, Chapter 6, Parts 2, 4 and 5, 33-7-301 and 303, and 37-1-128 require RMHIs to admit individuals who meet criteria or are court-ordered for admission for forensic or juvenile court evaluations.

TCA 33-6-308 and 33-6-701 require the release of the individuals when they no longer meet the standards under which they were admitted.

TCA 33-3-101(c) requires the services be in accordance with community standards to the extent that facilities, equipment, and personnel are available.

The 1975 U.S. Supreme Court decision in *O'Connor v. Donaldson* requires that when the liberty of a person with mental illness is restricted to a psychiatric hospital, the person must receive treatment or be released.

TCA Title 33, Chapter 6, Part 4, TCA 33-3-403, and 33-3-412 require the RMHIs to admit individuals who meet emergency involuntary criteria regardless of bed availability including emergency transfers from the Department of Correction (DOC) and the Department of Children's Services (DCS) youth development centers.

TCA Title 33, Chapter 6, Parts 2 and 5, TCA 33-3-401 and 402 admissions, which include non-emergency transfers from DOC and DCS youth development centers, are contingent on the availability of suitable accommodations. "Suitable accommodations" means having a specified percentage of operational beds vacant and therefore available for use.

Mandated and Optional Services and Means of Providing Them

The RMHIs must provide evaluation, treatment, and discharge planning for individuals who meet admission criteria or are admitted pursuant to a court order. MHDD directly provides inpatient mental health service through the operation of the RMHIs. Previous attempts to contract the operation of LMHI were unsuccessful. It would be difficult to contract with private providers to provide the services currently provided by the LMHI. Few private providers will consider a

contract, which requires them to serve all persons in need of inpatient treatment, because of the costs and safety concerns inherent in serving persons who are dangerous to themselves or others.

In recent years, private providers of inpatient mental health services have closed, reduced their bed capacity, or placed strict limits on the number of seriously mentally ill individuals they will serve. Contracting for RMHI services places the state at risk if the contractor closes or cancels the contract. Because the RMHIs are the safety net for the admission and treatment of persons regardless of the severity of their conditions or their ability to pay, the state must maintain some level of state-operated inpatient services for persons across the state who cannot get services from other providers.

Performance Standards

1. The average cost per day inflation will not exceed 100% of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.
2. The average daily occupancy at LMHI will be less than 105% of suitable accommodations. Suitable accommodations are having a specified percentage of operational beds vacant and available for use.

Performance Measures

1. Cost per day inflation as a percentage of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
-80.0%	58.3%	<100%

2. Average daily occupancy of suitable accommodations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
92.6%	92.6%	<105%

Obstacles to Meeting Objectives and Delivering Services

Staffing, especially nursing, is a major problem for the RMHIs. Without sufficient nursing staff, service recipient care is negatively impacted, and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation and Medicare certification are jeopardized with a potential loss of revenue. The RMHIs also experience great difficulty in recruiting and retaining other clinical staff, particularly psychiatrists and pharmacists. When a RMHI cannot hire sufficient staff, more expensive contract staff must be used which increases the per diem.

The high volume demand on the RMHIs makes it difficult to provide cost-efficient services. Beds are filled with involuntarily committed service recipients, and the RMHIs must constantly balance treatment needs and space availability. Large amounts of overtime are required to meet workload demands. Demand for community mental health services exceeds supply, which contributes to over-utilization of inpatient services. Admissions increase as individuals are

unable to access outpatient services before a crisis emerges. Discharges may be delayed if adequate aftercare housing, treatment and support services are not readily available.

Means of Overcoming Obstacles

MHDD is seeking support from the Department of Personnel and the Department of Finance and Administration to increase the salaries of registered nurses at the RMHIs. Funding for this increase will come from a reduction in contract nursing costs and requires no new state dollars. However, with the nursing shortage and the increasing salaries offered by other providers, nursing salaries probably will need to be increased annually, which will require new state dollars. Legislation permits alternative full-time schedules for MHDD nurses, in which nurses work less than full-time (on shifts and/or days which are less desirable) and receive full-time salary and benefits. Alternative full-time schedules, which would allow the RMHIs to be competitive in offering more flexible work schedules for nurses, will require additional nursing positions if widely used. Additional positions require new state dollars. The MHDD Nursing Recruitment and Retention Taskforce is exploring other options to address the nursing shortage, including offering shift differentials for weekend and holidays and providing stipends for nursing students in exchange for an agreement to work at one of the RMHIs. MHDD will focus efforts on recruitment of other clinical professionals while the RMHIs focus on retention of all staff. (See also Means of Avoiding Unnecessary Costs and Expenditures.)

The workload in the RMHIs is largely a result of a growing population base and insufficient, private inpatient mental health treatment services. Many private inpatient mental health providers have stopped providing services or now limit services to the easier-to-manage population, which results in fewer inpatient resources for the most seriously mentally ill population. To lower the RMHIs' workload, demand for inpatient services must be decreased and other inpatient services must be increased. The Department is working to decrease demand by promoting the development of housing, crisis intervention services, and more readily available outpatient services for people with mental illness or serious emotional disturbance. The Department is also working with private providers to increase the availability of inpatient mental health services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The largest part of the RMHI funding comes from fees for inpatient mental health treatment. The Department has a Revenue Advisory Committee (RAC) that oversees and advises on reimbursement activities to ensure that federal and other revenue is maximized. The RAC has focused on improving the accuracy of the RMHI billing processes to assure that all billable days are accounted for. The RAC has also worked on improving the success of the RMHIs in appealing denied claims.

Another means to maximize federal and other non-state sources of revenue is to maintain accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certification by the Centers for Medicare and Medicaid Services (CMS) for participation in the psychiatric Medicare program. Most payers for inpatient mental health services, whether private insurance, Medicare, or TennCare, require JCAHO accreditation as a base qualification for reimbursement. LMHI is currently JCAHO accredited and certified by CMS and has on-going efforts to maintain this status.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD must have an annual audit made of each RMHI's accounts and records. The Comptroller of the Treasury must approve the audits and can conduct them or approve a licensed independent public accountant to do the audit (TCA 33-1-302). The Department's internal audit section conducts continuous reviews of the facilities to ensure unnecessary cost and expenditures are avoided (TCA 33-1-302(b)(2)). All expenditures, payments and contracts follow state and Department policy. Each RMHI has an internal process for approving expenditures.

Since staffing costs are a major factor at each RMHI, including LMHI, personnel management is important in avoiding unnecessary costs. Efficient planning of schedules, combined with appropriate disciplinary action for time and attendance violations, maximize the utilization of available staff resources and minimize the need for overtime or use of more costly contract staff. LMHI has focused on flexibility of work schedules and making the work environment as appealing as possible to retain staff and reduce turnover.

Lakeshore Mental Health Institute (LMHI) uses contract nurses. MHDD will reduce contract services and hire nurses for a cost savings. LMHI contracts for staff services only when work required is less than a full-time position or when the needed professionals cannot be hired within state salary limits.

In response to an audit finding reported in 2002 that the MHDD 's inventory systems (primarily pharmacy) were not adequately maintained, the Department is in contract negotiations with two vendors for a new software system to interface with the hospital information system. The new system will replace an outdated (10 years old) system to provide proper internal controls for the distribution of drugs and to maintain accurate RMHI pharmacy inventory. The new system will be developed in FY2004.

Future Challenges and Opportunities

The greatest and most critical challenge the state and MHDD face is the high demand for inpatient psychiatric beds and the loss of the exception to the Institutions for Mental Diseases (IMD) exclusion in both private and public IMDs. The loss of the exception by private IMDs is almost certain to increase the demand on the RMHIs. Private IMDs are not required by law to admit anyone; without payment, they will refuse admissions. Thus, the burden on RMHIs will increase concurrently with their diminished revenue associated with the loss of the exception to the IMD exclusion. In this scenario, the RMHIs will need improvement funds to meet their statutory obligations.

As the state population grows, the need for inpatient psychiatric care increases. As the state population ages, there will be a greater need for specialized gero-psychiatric inpatient services which will likely correspond with an increasingly medically fragile population in the RMHIs.

The nationwide nursing shortage, predicted to worsen in the next few years, presents tremendous challenges. Without sufficient registered nurses, the quality of patient care will probably decline, and LMHI will face probable loss of JCAHO accreditation and Medicare certification and concomitant loss of revenue.

The condition of the physical plants at LMHI must be addressed. In addition to the inefficiencies associated with the operation of an aging facility, continued JCAHO accreditation is at greater risk.

Recent research has produced evidence-based best practices for the treatment of mental illnesses, which presents an opportunity for more effective treatment in the RMHIs, with corresponding shorter lengths of stay and lower census.

Performance Data Schedule

Medical inflation data are available monthly through the Bureau of Labor Statistics. Departmental expenditures are available in the State of Tennessee Accounting and Reporting System (STARS) monthly. Cost per day inflation will be compared quarterly.

The Department's behavioral health information system (BHIS) tracks RMHI service recipients from admission to discharge, with information available daily. Average daily occupancy will be reported quarterly.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited and reviewed at several levels to ensure accuracy. The MHDD Budget Director will verify results of the performance measure. RMHI admission and discharge information in BHIS is verified daily at each RMHI and the Central Office.

339.11 Middle Tennessee Mental Health Institute

Middle Tennessee Mental Health Institute (MTMHI) is in Nashville and provides inpatient mental health services for persons in the 27 counties of MHDD Planning Regions IV and V in Middle Tennessee. MTMHI currently operates 283 beds and serves adults, children and youth. MTMHI operates the only secure forensic program, which serves adults from across the state. In addition, MTMHI operates an outpatient early intervention program for pre-school age children, the Regional Intervention Program (RIP), which is a national model.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Title 33, Chapter 6, Parts 2, 4 and 5, TCA 33-7-301 and 303, and 37-1-128 require Regional Mental Health Institutes (RMHIs) to admit individuals who meet criteria or are court-ordered for admission for forensic or juvenile court evaluations.

TCA 33-6-308 and 33-6-701 require the release of the individuals when they no longer meet the standards under which they were admitted.

TCA 33-3-101(c) requires the services be in accordance with community standards to the extent that facilities, equipment, and personnel are available.

The 1975 U.S. Supreme Court decision in *O'Connor v. Donaldson* requires that when the liberty of a person with mental illness is restricted to a psychiatric hospital, the person must receive treatment or be released.

TCA Title 33, Chapter 6, Part 4, TCA 33-3-403, and 33-3-412 require the RMHIs to admit individuals who meet emergency involuntary criteria regardless of bed availability including emergency transfers from the Department of Correction (DOC) and the Department of Children's Services (DCS) youth development centers.

TCA Title 33, Chapter 6, Parts 2 and 5, TCA 33-3-401 and 402 admissions, which include non-emergency transfers from DOC and DCS youth development centers, are contingent on the availability of suitable accommodations. "Suitable accommodations" means having a specified percentage of operational beds vacant and therefore available for use.

Mandated and Optional Services and Means of Providing Them

The RMHIs must provide evaluation, treatment, and discharge planning for individuals who meet admission criteria or are admitted pursuant to a court order. MHDD directly provides inpatient mental health service through the operation of the RMHIs. Previous attempts to contract the operation of LMHI were unsuccessful. It would be difficult to contract with private providers to provide the services currently provided by the RMHIs. Few private providers will consider a contract, which requires them to serve all persons in need of inpatient treatment, because of the costs and safety concerns inherent in serving persons who are dangerous to themselves or others.

In recent years, private providers of inpatient mental health services have closed, reduced their bed capacity, or placed strict limits on the number of seriously mentally ill individuals they will serve. Contracting for RMHI services places the state at risk if the contractor closes or cancels the contract. Because the RMHIs are the safety net for admission and treatment of persons regardless of the severity of their conditions or their ability to pay, the state must maintain some level of state-operated inpatient services for persons across the state who cannot get services from other providers.

The Regional Intervention Program (RIP) is the only optional service at MTMHI. The RIP is an outpatient early intervention program for preschool age children that uses a parent-training approach to modify socially unacceptable behavior while teaching appropriate responses. Parents of children who receive services from the RIP are expected to return and help train other parents.

The RIP at MTMHI was the first RIP program in the nation and has become a national model. It has been replicated in numerous sites across Tennessee and other states. The other RIP programs in Tennessee are provided through the Division of Mental Health Services (DMHS) grants to community providers. The RIP program at MTMHI has been maintained in part to preserve the integrity of the model. It is also an exceptionally cost-effective program, with demonstrated positive outcomes achieved at relatively little cost.

Performance Standards

1. The average cost per day inflation will not exceed 100% of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.
2. The average daily occupancy at MTMHI will be less than 105% of suitable accommodations. Suitable accommodations means having a specified percentage of operational beds vacant and, therefore, available for use.

Performance Measures

1. Cost per day inflation as a percentage of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
83.3%	83.3%	<100%

2. Average daily occupancy of suitable accommodations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100.7%	100.7%	<105%

Obstacles to Meeting Objectives and Delivering Services

Staffing, especially nursing, is a major problem for the RMHIs. Without sufficient nursing staff, service recipient care is negatively impacted, and the Joint Committee on Accreditation of Healthcare Organizations (JCAHO) accreditation and Medicare certification are jeopardized with a potential loss of revenue. The RMHIs also experience great difficulty in recruiting and retaining other clinical staff, particularly psychiatrists and pharmacists. When a RMHI cannot hire sufficient staff, more expensive contract staff must be used which increases the per diem.

The high volume demand on the RMHIs makes it difficult to provide cost-efficient services. Beds are filled with involuntarily committed service recipients, and the RMHIs must constantly balance treatment needs and space availability. Large amounts of overtime are required to meet workload demands. Demand for community mental health services exceeds supply, which contributes to over-utilization of inpatient services. Admissions increase as individuals are unable to access outpatient services before a crisis emerges. Discharges may be delayed if adequate aftercare housing, treatment and support services are not readily available.

Means of Overcoming Obstacles

MHDD is seeking support from the Department of Personnel and the Department of Finance and Administration to increase the salaries of registered nurses at the RMHIs. Funding for this increase will come from a reduction in contract nursing costs and requires no new state dollars. However, with the nursing shortage and the increasing salaries offered by other providers, nursing salaries probably will need to be increased annually, which will require new state dollars. Legislation permits alternative full-time schedules for MHDD nurses, in which nurses work less than full-time (on shifts and/or days which are less desirable) and receive full-time salary and

benefits. Alternative full-time schedules, which would allow the RMHIs to be competitive in offering more flexible work schedules for nurses, will require additional nursing positions if widely used. Additional positions require new state dollars. The MHDD Nursing Recruitment and Retention Taskforce is exploring other options to address the nursing shortage, including offering shift differentials for weekend and holidays and providing stipends for nursing students in exchange for an agreement to work at one of the RMHIs. MHDD will focus efforts on recruitment of other clinical professionals while the RMHIs focus on retention of all staff. (See also Means of Avoiding Unnecessary Costs and Expenditures.)

The workload in the RMHIs is largely a result of a growing population base and insufficient, private inpatient mental health treatment services. Many private inpatient mental health providers have stopped providing services or now limit services to the easier-to-manage population, which results in fewer inpatient resources for the most seriously mentally ill population. To lower the RMHIs' workload, demand for inpatient services must be decreased and other inpatient services must be increased. The Department is working to decrease demand by promoting the development of housing, crisis intervention services, and more readily available outpatient services for people with mental illness or serious emotional disturbance. The Department is also working with private providers to increase the availability of inpatient mental health services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The largest part of the RMHI funding comes from fees for inpatient mental health treatment. The Department has a revenue advisory committee (RAC) that oversees and advises on reimbursement activities to ensure that federal and other revenue is maximized. The RAC has focused on improving the accuracy of the RMHI billing processes to assure that all billable days are accounted for. The RAC has also worked on improving the success of the RMHIs in appealing denied claims.

Another means to maximize federal and other non-state sources of revenue is to maintain accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certification by the Centers for Medicare and Medicaid Services (CMS) for participation in the psychiatric Medicare program. Most payers for inpatient mental health services, whether private insurance, Medicare, or TennCare, require JCAHO accreditation as a base qualification for reimbursement. Middle Tennessee Mental Health Institute (MTMHI) is currently JCAHO accredited and certified by CMS and has on-going efforts to maintain this status.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD must have an annual audit made of each RMHI's accounts and records. The Comptroller of the Treasury must approve the audits and can conduct them or approve a licensed independent public accountant to do the audit (TCA 33-1-302). The Department's internal audit section conducts continuous reviews of the facilities to ensure unnecessary cost and expenditures are avoided (TCA 33-1-302(b)(2)). All expenditures, payments and contracts follow state and Department policy. MTMHI has an internal process for approving expenditures.

Since staffing costs are a major factor at each RMHI, including MTMHI, personnel management is important in avoiding unnecessary costs. Efficient planning of schedules, combined with appropriate disciplinary action for time and attendance violations, maximize the utilization of available staff resources and minimize the need for overtime or use of more costly contract staff.

MTMHI has focused on flexibility of work schedules and making the work environment as appealing as possible to retain staff and reduce turnover.

MTMHI uses contract nurses. MHDD will reduce contract services and hire nurses for a cost savings. MTMHI contracts for staff services only when work required is less than a full-time position or when the needed professionals cannot be hired within state salary limits.

In response to an audit finding reported in FY2002 that the MHDD 's inventory systems (primarily pharmacy) were not adequately maintained, the Department is in contract negotiations with two vendors for a new software system to interface with the hospital information system. The new system will replace an outdated (10 years old) system to provide proper internal controls for the distribution of drugs and to maintain accurate RMHI pharmacy inventory. The new system will be developed in FY2004.

Future Challenges and Opportunities

The greatest and most critical challenge the state and MHDD face is the high demand for inpatient psychiatric beds and the loss of the exception to the Institutions for Mental Diseases (IMD) exclusion in both private and public IMDs. The loss of the exception by private IMDs is almost certain to increase the demand on the RMHIs. Private IMDs are not required by law to admit anyone; without payment, they will refuse admissions. Thus, the burden on RMHIs will increase concurrently with their diminished revenue associated with the loss of the exception to the IMD exclusion. In this scenario, the RMHIs will need improvement funds to meet their statutory obligations.

As the state population grows, the need for inpatient psychiatric care increases. As the state population ages, there will be a greater need for specialized gero-psychiatric inpatient services which will likely correspond with an increasingly medically fragile population in the RMHIs.

The nationwide nursing shortage, predicted to worsen in the next few years, presents tremendous challenges. Without sufficient registered nurses, the quality of patient care will probably decline, and MTMHI will face probable loss of JCAHO accreditation and Medicare certification and concomitant loss of revenue.

Recent research has produced evidence-based best practices for the treatment of mental illnesses, which presents an opportunity for more effective treatment in the RMHIs, with corresponding shorter lengths of stay and lower census.

Performance Data Schedule

Medical inflation data are available monthly through the Bureau of Labor Statistics. Departmental expenditures are available in the State of Tennessee Accounting and Reporting System (STARS) monthly. Cost per day inflation will be compared quarterly.

The Department's behavioral health information system (BHIS) tracks RMHI service recipients from admission to discharge, with information available daily. Average daily occupancy will be reported quarterly.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited and reviewed at several levels to ensure accuracy. The MHDD Budget Director will verify results of the performance measure. RMHI admission and discharge information in BHIS is verified daily at each RMHI and the Central Office.

339.12 Western Mental Health Institute

Western Mental Health Institute (WMHI) is in Bolivar and provides inpatient mental health services for persons in the 21 counties of MHDD Planning Regions VI and VII in West Tennessee. WMHI currently operates 247 beds and serves adults, children and youth.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Title 33, Chapter 6, Parts 2, 4 and 5, 33-7-301 and 303, and 37-1-128 require Regional Mental Health Institutions (RMHIs) to admit individuals who meet criteria or are court-ordered for admission for forensic or juvenile court evaluations.

TCA 33-6-308 and 33-6-701 require the release of the individuals when they no longer meet the standards under which they were admitted.

TCA 33-3-101(c) requires the services be in accordance with community standards to the extent that facilities, equipment, and personnel are available.

The 1975 U.S. Supreme Court decision in *O'Connor v. Donaldson* requires that when the liberty of a person with mental illness is restricted to a psychiatric hospital, the person must receive treatment or be released.

TCA Title 33, Chapter 6, Part 4, TCA 33-3-403, and 33-3-412 require the RMHIs to admit individuals who meet emergency involuntary criteria regardless of bed availability including emergency transfers from the Department of Correction (DOC) and the Department of Children's Services (DCS) youth development centers.

TCA Title 33, Chapter 6, Parts 2 and 5, TCA 33-3-401 and 402 admissions, which include non-emergency transfers from DOC and DCS youth development centers, are contingent on the availability of suitable accommodations. "Suitable accommodations" means having a specified percentage of operational beds vacant and therefore available for use.

Mandated and Optional Services and Means of Providing Them

The RMHIs must provide evaluation, treatment, and discharge planning for individuals who meet admission criteria or are admitted pursuant to a court order. MHDD directly provides inpatient mental health service through the operation of the RMHIs. Previous attempts to contract the operation of a RMHI were unsuccessful. It would be difficult to contract with private providers to provide the services currently provided by the RMHIs. Few private providers will consider a

contract, which requires them to serve all persons in need of inpatient treatment, because of the costs and safety concerns inherent in serving persons who are dangerous to themselves or others.

In recent years, private providers of inpatient mental health services have closed, reduced their bed capacity, or placed strict limits on the number of seriously mentally ill individuals they will serve. Contracting for RMHI services places the state at risk if the contractor closes or cancels the contract. Because the RMHIs are the safety net for admission and treatment of persons regardless of the severity of their conditions or their ability to pay, the state must maintain some level of state-operated inpatient services for persons across the state who cannot get services from other providers.

Performance Standards

1. The average cost per day inflation will not exceed 100% of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.
2. The average daily occupancy at WMHI will be less than 105% of suitable accommodations. Suitable accommodations means having a specified percentage of operational beds vacant and, therefore, available for use.

Performance Measures

1. Cost per day inflation as a percentage of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
93.3%	93.3%	<100%

2. Average daily occupancy of suitable accommodations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
104.5%	104.5%	< 105%

Obstacles to Meeting Objectives and Delivering Services

Staffing, especially nursing, is a major problem for the RMHIs. Without sufficient nursing staff, service recipient care is negatively impacted, and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation and Medicare certification are jeopardized with a potential loss of revenue. The RMHIs also experience great difficulty in recruiting and retaining other clinical staff, particularly psychiatrists and pharmacists. When a RMHI cannot hire sufficient staff, more expensive contract staff must be used which increases the per diem.

The high volume demand on the RMHIs makes it difficult to provide cost-efficient services. Beds are filled with involuntarily committed service recipients, and the RMHIs must constantly balance treatment needs and space availability. Large amounts of overtime are required to meet workload demands. Demand for community mental health services exceeds supply, which contributes to over-utilization of inpatient services. Admissions increase as individuals are

unable to access outpatient services before a crisis emerges. Discharges may be delayed if adequate aftercare housing, treatment and support services are not readily available.

Means of Overcoming Obstacles

MHDD is seeking support from the Department of Personnel and the Department of Finance and Administration to increase the salaries of registered nurses at the RMHIs. Funding for this increase will come from a reduction in contract nursing costs and requires no new state dollars. However, with the nursing shortage and the increasing salaries offered by other providers, nursing salaries probably will need to be increased annually, which will require new state dollars. Legislation permits alternative full-time schedules for MHDD nurses, in which nurses work less than full-time (on shifts and/or days which are less desirable) and receive full-time salary and benefits. Alternative full-time schedules, which would allow the RMHIs to be competitive in offering more flexible work schedules for nurses, will require additional nursing positions if widely used. Additional positions require new state dollars. The MHDD Nursing Recruitment and Retention Taskforce is exploring other options to address the nursing shortage, including offering shift differentials for weekend and holidays and providing stipends for nursing students in exchange for an agreement to work at one of the RMHIs. MHDD will focus efforts on recruitment of other clinical professionals while the RMHIs focus on retention of all staff. (See also Means of Avoiding Unnecessary Costs and Expenditures.)

The workload in the RMHIs is largely a result of a growing population base and insufficient, private inpatient mental health treatment services. Many private inpatient mental health providers have stopped providing services or now limit services to the easier-to-manage population, which results in fewer inpatient resources for the most seriously mentally ill population. To lower the RMHIs' workload, demand for inpatient services must be decreased and other inpatient services must be increased. The Department is working to decrease demand by promoting the development of housing, crisis intervention services, and more readily available outpatient services for people with mental illness or serious emotional disturbance. The Department is also working with private providers to increase the availability of inpatient mental health services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The largest part of the RMHI funding comes from fees for inpatient mental health treatment. The Department has a Revenue Advisory Committee (RAC) that oversees and advises on reimbursement activities to ensure that federal and other revenue is maximized. The RAC has focused on improving the accuracy of the RMHI billing processes to assure that all billable days are accounted for. The RAC has also worked on improving the success of the RMHIs in appealing denied claims.

Another means to maximize federal and other non-state sources of revenue is to maintain accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certification by the Centers for Medicare and Medicaid Services (CMS) for participation in the psychiatric Medicare program. Most payers for inpatient mental health services, whether private insurance, Medicare, or TennCare, require JCAHO accreditation as a base qualification for reimbursement. WMHI is currently JCAHO accredited and certified by CMS and has on-going efforts to maintain this status.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD must have an annual audit made of each RMHI's accounts and records. The Comptroller of the Treasury must approve the audits and can conduct them or approve a licensed independent public accountant to do the audit (TCA 33-1-302). The Department's internal audit section conducts continuous reviews of the facilities to ensure unnecessary cost and expenditures are avoided (TCA 33-1-302(b)(2)). All expenditures, payments and contracts follow state and Department policy. WMHI has an internal process for approving expenditures.

Since staffing costs are a major factor at each RMHI, including WMHI, personnel management is important in avoiding unnecessary costs. Efficient planning of schedules, combined with appropriate disciplinary action for time and attendance violations, maximize the utilization of available staff resources and minimize the need for overtime or use of more costly contract staff. WMHI has focused on flexibility of work schedules and making the work environment as appealing as possible to retain staff and reduce turnover.

Western Mental Health Institute does not use contract nurses and contracts for staff services only when work required is less than a full-time position or when the needed professionals cannot be hired within state salary limits.

In response to an audit finding reported in FY2002 that the MHDD 's inventory systems (primarily pharmacy) were not adequately maintained, the Department is in contract negotiations with two vendors for a new software system to interface with the hospital information system. The new system will replace an outdated (10 years old) system to provide proper internal controls for the distribution of drugs and to maintain accurate RMHI pharmacy inventory. The new system will be developed in FY2004.

Future Challenges and Opportunities

The greatest and most critical challenge the state and MHDD face is the high demand for inpatient psychiatric beds and the loss of the exception to the Institutions for Mental Diseases (IMD) exclusion in both private and public IMDs. The loss of the exception by private IMDs is almost certain to increase the demand on the RMHIs. Private IMDs are not required by law to admit anyone; without payment, they will refuse admissions. Thus, the burden on RMHIs will increase concurrently with their diminished revenue associated with the loss of the exception to the IMD exclusion. In this scenario, the RMHIs will need improvement funds to meet their statutory obligations.

As the state population grows, the need for inpatient psychiatric care increases. As the state population ages, there will be a greater need for specialized gero-psychiatric inpatient services which will likely correspond with an increasingly medically fragile population in the RMHIs.

The nationwide nursing shortage, predicted to worsen in the next few years, presents tremendous challenges. Without sufficient registered nurses, the quality of patient care will probably decline, and WMHI will face probable loss of JCAHO accreditation and Medicare certification and concomitant loss of revenue.

The condition of the physical plants at WMHI must be addressed. In addition to the inefficiencies associated with the operation of aging facilities, continued JCAHO accreditation is at greater risk.

Recent research has produced evidence-based best practices for the treatment of mental illnesses, which presents an opportunity for more effective treatment in the RMHIs, with corresponding shorter lengths of stay and lower census.

Performance Data Schedule

Medical inflation data are available monthly through the Bureau of Labor Statistics. Departmental expenditures are available in the State of Tennessee Accounting and Reporting System (STARS) monthly. Cost per day inflation will be compared quarterly.

The Department's behavioral health information system (BHIS) tracks RMHI service recipients from admission to discharge, with information available daily. Average daily occupancy will be reported quarterly.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited and reviewed at several levels to ensure accuracy. The MHDD Budget Director will verify results of the performance measure. RMHI admission and discharge information in BHIS is verified daily at each RMHI and the Central Office.

339.16 Moccasin Bend Mental Health Institute

Moccasin Bend Mental Health Institute (MBMHI) is in Chattanooga and provides inpatient mental health services for persons in the 23 counties of MHDD Planning Region III in East Tennessee. MBMHI currently operates 172 beds and serves only adults.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Title 33, Chapter 6, Parts 2, 4 and 5, TCA 33-7-301 and 303, and 37-1-128 require Regional Mental Health Institutes (RMHIs) to admit individuals who meet criteria or are court-ordered for admission for forensic or juvenile court evaluations.

TCA 33-6-308 and 33-6-701 require the release of the individuals when they no longer meet the standards under which they were admitted.

TCA 33-3-101(c) requires the services be in accordance with community standards to the extent that facilities, equipment, and personnel are available.

The 1975 U.S. Supreme Court decision in *O'Connor v. Donaldson* requires that when the liberty of a person with mental illness is restricted to a psychiatric hospital, the person must receive treatment or be released.

TCA Title 33, Chapter 6, Part 4, TCA 33-3-403, and 33-3-412 require the RMHIs to admit individuals who meet emergency involuntary criteria regardless of bed availability including emergency transfers from the Department of Correction (DOC) and the Department of Children's Services (DCS) youth development centers.

TCA Title 33, Chapter 6, Parts 2 and 5, TCA 33-3-401 and 402 admissions, which include non-emergency transfers from DOC and DCS youth development centers, are contingent on the availability of suitable accommodations. "Suitable accommodations" means having a specified percentage of operational beds vacant and therefore available for use.

Mandated and Optional Services and Means of Providing Them

The RMHIs must provide evaluation, treatment, and discharge planning for individuals who meet admission criteria or are admitted pursuant to a court order. MHDD directly provides inpatient mental health service through the operation of the RMHIs. Previous attempts to contract the operation of a RMHI were unsuccessful. It would be difficult to contract with private providers to provide the services currently provided by the RMHIs. Few private providers will consider a contract, which requires them to serve all persons in need of inpatient treatment, because of the costs and safety concerns inherent in serving persons who are dangerous to themselves or others.

In recent years, private providers of inpatient mental health services have closed, reduced their bed capacity, or placed strict limits on the number of seriously mentally ill individuals they will serve. Contracting for RMHI services places the state at risk if the contractor closes or cancels the contract. Because the RMHIs are the safety net for admission and treatment of persons regardless of the severity of their conditions or their ability to pay, the state must maintain some level of state-operated inpatient services for persons across the state who cannot get services from other providers.

Performance Standards

1. The average cost per day inflation will not exceed 100% of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.
2. The average daily occupancy at MBMHI will be less than 105% of suitable accommodations. Suitable accommodations means having a specified percentage of operational beds vacant, and, therefore, available for use.

Performance Measures

1. Cost per day inflation as a percentage of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
101.7%	83.0%	<100%

2. Average daily occupancy of suitable accommodations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
90.1%	90.1%	<105%

Obstacles to Meeting Objectives and Delivering Services

Staffing, especially nursing, is a major problem for the RMHIs. Without sufficient nursing staff, service recipient care is negatively impacted, and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation and Medicare certification are jeopardized with a potential loss of revenue. The RMHIs also experience great difficulty in recruiting and retaining other clinical staff, particularly psychiatrists and pharmacists. When a RMHI cannot hire sufficient staff, more expensive contract staff must be used which increases the per diem.

The high volume demand on the RMHIs makes it difficult to provide cost-efficient services. Beds are filled with involuntarily committed service recipients, and the RMHIs must constantly balance treatment needs and space availability. Large amounts of overtime are required to meet workload demands. Demand for community mental health services exceeds supply, which contributes to over-utilization of inpatient services. Admissions increase as individuals are unable to access outpatient services before a crisis emerges. Discharges may be delayed if adequate aftercare housing, treatment and support services are not readily available.

Means of Overcoming Obstacles

MHDD is seeking support from the Department of Personnel and the Department of Finance and Administration to increase the salaries of registered nurses at the RMHIs. Funding for this increase will come from a reduction in contract nursing costs and requires no new state dollars. However, with the nursing shortage and the increasing salaries offered by other providers, nursing salaries probably will need to be increased annually, which will require new state dollars. Legislation permits alternative full-time schedules for MHDD nurses, in which nurses work less than full-time (on shifts and/or days which are less desirable) and receive full-time salary and benefits. Alternative full-time schedules, which would allow the RMHIs to be competitive in offering more flexible work schedules for nurses, will require additional nursing positions if widely used. Additional positions require new state dollars. The MHDD Nursing Recruitment and Retention Taskforce is exploring other options to address the nursing shortage, including offering shift differentials for weekend and holidays and providing stipends for nursing students in exchange for an agreement to work at one of the RMHIs. MHDD will focus efforts on recruitment of other clinical professionals while the RMHIs focus on retention of all staff. (See also Means of Avoiding Unnecessary Costs and Expenditures.)

The workload in the RMHIs is largely a result of a growing population base and insufficient, private inpatient mental health treatment services. Many private inpatient mental health providers have stopped providing services or now limit services to the easier-to-manage population, which results in fewer inpatient resources for the most seriously mentally ill population. To lower the RMHIs' workload, demand for inpatient services must be decreased and other inpatient services must be increased. The Department is working to decrease demand by promoting the development of housing, crisis intervention services, and more readily available outpatient services for people with mental illness or serious emotional disturbance. The Department is also working with private providers to increase the availability of inpatient mental health services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The largest part of the RMHI funding comes from fees for inpatient mental health treatment. The Department has a revenue advisory committee (RAC) that oversees and advises on reimbursement activities to ensure that federal and other revenue is maximized. The RAC has focused on improving the accuracy of the RMHI billing processes to assure that all billable days are accounted for. The RAC has also worked on improving the success of the RMHIs in appealing denied claims.

Another means to maximize federal and other non-state sources of revenue is to maintain accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certification by the Centers for Medicare and Medicaid Services (CMS) for participation in the psychiatric Medicare program. Most payers for inpatient mental health services, whether private insurance, Medicare, or TennCare, require JCAHO accreditation as a base qualification for reimbursement. MBMHI is currently JCAHO accredited and certified by CMS and has on-going efforts to maintain this status.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD must have an annual audit made of each RMHI's accounts and records. The Comptroller of the Treasury must approve the audits and can conduct them or approve a licensed independent public accountant to do the audit (TCA 33-1-302). The Department's internal audit section conducts continuous reviews of the facilities to ensure unnecessary cost and expenditures are avoided (TCA 33-1-302(b)(2)). All expenditures, payments and contracts follow state and Department policy. MBMHI has an internal process for approving expenditures.

Since staffing costs are a major factor at each RMHI, including MBMHI, personnel management is important in avoiding unnecessary costs. Efficient planning of schedules, combined with appropriate disciplinary action for time and attendance violations, maximize the utilization of available staff resources and minimize the need for overtime or use of more costly contract staff. MBMHI has focused on flexibility of work schedules and making the work environment as appealing as possible to retain staff and reduce turnover.

MBMHI uses contract nurses. MHDD will reduce contract services and hire nurses for a cost savings. MBMHI contracts for staff services only when work required is less than a full-time position or when the needed professionals cannot be hired within state salary limits.

In response to an audit finding reported in 2002 that the MHDD 's inventory systems (primarily pharmacy) were not adequately maintained, the Department is in contract negotiations with two vendors for a new software system to interface with the hospital information system. The new system will replace an outdated (10 years old) system to provide proper internal controls for the distribution of drugs and to maintain accurate RMHI pharmacy inventory. The new system will be developed in FY2004.

The 2002 audit report also found MBMHI to lack adequate controls over checks. MBMHI has realigned staff to assure a proper segregation of duties among financial employees and instituted a vault log procedure to ensure that proper internal controls exist as recommended by the auditor.

Future Challenges and Opportunities

The greatest and most critical challenge the state and MHDD face is the high demand for inpatient psychiatric beds and the loss of the exception to the Institutions for Mental Diseases (IMD) exclusion in both private and public IMDs. The loss of the exception by private IMDs is almost certain to increase the demand on the RMHIs. Private IMDs are not required by law to admit anyone; without payment, they will refuse admissions. Thus, the burden on RMHIs will increase concurrently with their diminished revenue associated with the loss of the exception to the IMD exclusion. In this scenario, the RMHIs will need improvement funds to meet their statutory obligations.

As the state population grows, the need for inpatient psychiatric care increases. As the state population ages, there will be a greater need for specialized gero-psychiatric inpatient services which will likely correspond with an increasingly medically fragile population in the RMHIs.

The nationwide nursing shortage, predicted to worsen in the next few years, presents tremendous challenges. Without sufficient registered nurses, the quality of patient care will probably decline, and MBMHI will face probable loss of JCAHO accreditation and Medicare certification and concomitant loss of revenue.

Recent research has produced evidence-based best practices for the treatment of mental illnesses, which presents an opportunity for more effective treatment in the RMHIs, with corresponding shorter lengths of stay and lower census.

Performance Data Schedule

Medical inflation data are available monthly through the Bureau of Labor Statistics. Departmental expenditures are available in the State of Tennessee Accounting and Reporting System (STARS) monthly. Cost per day inflation will be compared quarterly.

The Department's behavioral health information system (BHIS) tracks RMHI service recipients from admission to discharge, with information available daily. Average daily occupancy will be reported quarterly.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited and reviewed at several levels to ensure accuracy. The MHDD Budget Director will verify results of the performance measure. RMHI admission and discharge information in BHIS is verified daily at each RMHI and the Central Office.

339.17 Memphis Mental Health Institute

Memphis Mental Health Institute (MMHI) is in Memphis and provides inpatient mental health services for persons in Shelby County, MHDD Planning Region VII. MMHI currently operates 98 beds and serves only adults.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) Title 33, Chapter 6, Parts 2, 4 and 5, TCA 33-7-301 and 303, and 37-1-128 require Regional Mental Health Institutes (MHIs) to admit individuals who meet criteria or are court-ordered for admission for forensic or juvenile court evaluations.

TCA 33-6-308 and 33-6-701 require the release of the individuals when they no longer meet the standards under which they were admitted.

TCA 33-3-101(c) requires the services be in accordance with community standards to the extent that facilities, equipment, and personnel are available.

The 1975 U.S. Supreme Court decision in *O'Connor v. Donaldson* requires that when the liberty of a person with mental illness is restricted to a psychiatric hospital, the person must receive treatment or be released.

TCA Title 33, Chapter 6, Part 4, TCA 33-3-403, and 33-3-412 require the RMHIs to admit individuals who meet emergency involuntary criteria regardless of bed availability including emergency transfers from the Department of Correction (DOC) and the Department of Children's Services (DCS) youth development centers.

TCA Title 33, Chapter 6, Parts 2 and 5, TCA 33-3-401 and 402 admissions, which include non-emergency transfers from DOC and DCS youth development centers, are contingent on the availability of suitable accommodations. "Suitable accommodations" means having a specified percentage of operational beds vacant and therefore available for use.

Mandated and Optional Services and Means of Providing Them

The RMHIs must provide evaluation, treatment, and discharge planning for individuals who meet admission criteria or are admitted pursuant to a court order. MHDD directly provides inpatient mental health service through the operation of the RMHIs. Previous attempts to contract the operation of a RMHI were unsuccessful. It would be difficult to contract with private providers to provide the services currently provided by the RMHIs. Few private providers will consider a contract, which requires them to serve all persons in need of inpatient treatment, because of the costs and safety concerns inherent in serving persons who are dangerous to themselves or others.

In recent years, private providers of inpatient mental health services have closed, reduced their bed capacity, or placed strict limits on the number of seriously mentally ill individuals they will serve. Contracting for RMHI services places the state at risk if the contractor closes or cancels the contract. Because the RMHIs are the safety net for admission and treatment of persons regardless of the severity of their conditions or their ability to pay, the state must maintain some level of state-operated inpatient services for persons across the state who cannot get services from other providers.

Performance Standards

1. The average cost per day inflation will not exceed 100% of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

2. The average daily occupancy at MMHI will be less than 105% of suitable accommodations. Suitable accommodations means having a specified percentage of operational beds vacant, and, therefore, available for use.

Performance Measures

1. Cost per day inflation as a percentage of the Consumer Price Index (CPI) Inpatient Hospital Inflation Rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
-16.7%	71.7%	<100%

2. Average daily occupancy of suitable accommodations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
98.0%	98.0%	<105%

Obstacles to Meeting Objectives and Delivering Services

Staffing, especially nursing, is a major problem for the RMHIs. Without sufficient nursing staff, service recipient care is negatively impacted, and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation and Medicare certification are jeopardized with a potential loss of revenue. The RMHIs also experience great difficulty in recruiting and retaining other clinical staff, particularly psychiatrists and pharmacists. When a RMHI cannot hire sufficient staff, more expensive contract staff must be used which increases the per diem.

The high volume demand on the RMHIs makes it difficult to provide cost-efficient services. Beds are filled with involuntarily committed service recipients, and the RMHIs must constantly balance treatment needs and space availability. Large amounts of overtime are required to meet workload demands. Demand for community mental health services exceeds supply, which contributes to over-utilization of inpatient services. Insufficient community mental health services are an obstacle to MMHI's efforts to control its census. Admissions increase as individuals are unable to access outpatient services before a crisis emerges. Discharges may be delayed if adequate aftercare housing, treatment and support services are not readily available.

Means of Overcoming Obstacles

MHDD is seeking support from the Department of Personnel and the Department of Finance and Administration to increase the salaries of registered nurses at the RMHIs. Funding for this increase will come from a reduction in contract nursing costs and requires no new state dollars. However, with the nursing shortage and the increasing salaries offered by other providers, nursing salaries probably will need to be increased annually, which will require new state dollars. Legislation permits alternative full-time schedules for MHDD nurses, in which nurses work less than full-time (on shifts and/or days which are less desirable) and receive full-time salary and benefits. Alternative full-time schedules, which would allow the RMHIs to be competitive in offering more flexible work schedules for nurses, will require additional nursing positions if widely used. Additional positions require new state dollars. The MHDD Nursing Recruitment

and Retention Taskforce is exploring other options to address the nursing shortage, including offering shift differentials for weekend and holidays and providing stipends for nursing students in exchange for an agreement to work at one of the RMHIs. MHDD will focus efforts on recruitment of other clinical professionals while the RMHIs focus on retention of all staff. (See also Means of Avoiding Unnecessary Costs and Expenditures.)

The workload in the RMHIs is largely a result of a growing population base and insufficient, private inpatient mental health treatment services. Many private inpatient mental health providers have stopped providing services or now limit services to the easier-to-manage population, which results in fewer inpatient resources for the most seriously mentally ill population. To lower the RMHIs' workload, demand for inpatient services must be decreased and other inpatient services must be increased. The Department is working to decrease demand by promoting the development of housing, crisis intervention services, and more readily available outpatient services for people with mental illness or serious emotional disturbance. The Department is also working with private providers to increase the availability of inpatient mental health services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The largest part of the RMHI funding comes from fees for inpatient mental health treatment. The Department has a revenue advisory committee (RAC) that oversees and advises on reimbursement activities to ensure that federal and other revenue is maximized. The RAC has focused on improving the accuracy of the RMHI billing processes to assure that all billable days are accounted for. The RAC has also worked on improving the success of the RMHIs in appealing denied claims.

Another means to maximize federal and other non-state sources of revenue is to maintain accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certification by the Centers for Medicare and Medicaid Services (CMS) for participation in the psychiatric Medicare program. Most payers for inpatient mental health services, whether private insurance, Medicare, or TennCare, require JCAHO accreditation as a base qualification for reimbursement. MMHI is currently JCAHO accredited and certified by CMS and has on-going efforts to maintain this status.

Means of Avoiding Unnecessary Costs and Expenditures

MHDD must have an annual audit made of each RMHI's accounts and records. The Comptroller of the Treasury must approve the audits and can conduct them or approve a licensed independent public accountant to do the audit (TCA 33-1-302). The Department's internal audit section conducts continuous reviews of the facilities to ensure unnecessary cost and expenditures are avoided (TCA 33-1-302(b)(2)). All expenditures, payments and contracts follow state and Department policy. MMHI has an internal process for approving expenditures.

Since staffing costs are a major factor at each RMHI, including MMHI, personnel management is important in avoiding unnecessary costs. Efficient planning of schedules, combined with appropriate disciplinary action for time and attendance violations, maximize the utilization of available staff resources and minimize the need for overtime or use of more costly contract staff. MMHI has focused on flexibility of work schedules and making the work environment as appealing as possible to retain staff and reduce turnover.

MMHI uses contract nurses. MHDD will reduce contract services and hire nurses for a cost savings. MMHI contracts for staff services only when work required is less than a full-time position or when the needed professionals cannot be hired within state salary limits.

In response to an audit finding reported in 2002 that the MHDD 's inventory systems (primarily pharmacy) were not adequately maintained, the Department is in contract negotiations with two vendors for a new software system to interface with the hospital information system. The new system will replace an outdated (10 years old) system to provide proper internal controls for the distribution of drugs and to maintain accurate RMHI pharmacy inventory. The new system will be developed in FY2004.

Future Challenges and Opportunities

The greatest and most critical challenge the state and MHDD face is the high demand for inpatient psychiatric beds and the loss of the exception to the Institutions for Mental Diseases (IMD) exclusion in both private and public IMDs. The loss of the exception by private IMDs is almost certain to increase the demand on the RMHIs. Private IMDs are not required by law to admit anyone; without payment, they will refuse admissions. Thus, the burden on RMHIs will increase concurrently with their diminished revenue associated with the loss of the exception to the IMD exclusion. In this scenario, the RMHIs will need improvement funds to meet their statutory obligations.

As the state population grows, the need for inpatient psychiatric care increases. As the state population ages, there will be a greater need for specialized gero-psychiatric inpatient services which will likely correspond with an increasingly medically fragile population in the RMHIs.

The nationwide nursing shortage, predicted to worsen in the next few years, presents tremendous challenges. Without sufficient registered nurses, the quality of patient care will probably decline, and MMHI will face probable loss of JCAHO accreditation and Medicare certification and concomitant loss of revenue.

Recent research has produced evidence-based best practices for the treatment of mental illnesses, which presents an opportunity for more effective treatment in the RMHIs, with corresponding shorter lengths of stay and lower census.

MMHI is currently under two orders from the U.S. Department of Justice. These orders impose additional requirements in staffing, treatment planning, and provision of non-psychiatric medical care. MMHI may petition for termination of the orders within the next two to three years, if the current rate of progress is maintained.

Performance Data Schedule

Medical inflation data is available monthly through the Bureau of Labor Statistics. Departmental expenditures are available in the State of Tennessee Accounting and Reporting System (STARS) monthly. Cost per day inflation will be compared quarterly.

The Department's behavioral health information system (BHIS) tracks RMHI service recipients from admission to discharge, with information available daily. Average daily occupancy will be reported quarterly.

Data Verification

The STARS accounting reports, used to monitor expenditures, are audited and reviewed at several levels to ensure accuracy. The MHDD Budget Director will verify results of the performance measure. RMHI admission and discharge information in BHIS is verified daily at each RMHI and the Central Office.

339.40 Major Maintenance

The Tennessee Department of Mental Health and Developmental Disabilities' (MHDD) operation of the Regional Mental Health Institutes (RMHIs) includes the upkeep and maintenance of the buildings and facilities. Without proper maintenance and upkeep, the RMHIs will not meet fire and safety codes, accreditation standards, or certification requirements. This program funds the maintenance of Department facilities when the project costs between $15,000 and $100,000. Projects below the range are funded by the RMHI; projects above the range are funded through the state capital project fund.

Major maintenance includes planning, engineering and completing projects. Planning includes architectural services such as project design, blue prints and drawings, and project cost estimates. Engineering includes the development of project specifications for job work and materials. Project completion includes actual job work and the cost of supplies and materials. Projects very widely and include replacement and installation of major equipment as well as renovation and construction.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 33-2-403 through 407, TCA 33-2-412 and 2-413, and 33-2-417 mandate that facilities comply with MHDD licensure rules, chapters 0940-5-1 through 32, including life safety.

TCA 33-1-302 and 1-303 authorize the Department to construct, maintain and operate facilities and to have general responsibility for the proper and efficient operation of its facilities.

TCA 4-3-1603 assigns MHDD the duty and power to provide the best possible care for people with mental illness, serious emotional disturbance or developmental disability in the state by improving existing facilities and by the development of future facilities and programs.

Mandated and Optional Services and Means of Providing Them

All major maintenance projects are optional except those related to compliance with fire and safety codes and licensure rules; all are contracted with outside companies. Services and projects

are bid through the state's purchasing system. Alternatively, some major maintenance projects might be done by state employees, but the breath of expertise required and the absence of full-time needs make full-time employees cost prohibitive.

Performance Standards

1. All regional mental health institutes will comply with licensure rules, meet accreditation standards and be accredited by the Joint Commission on Accreditation of Healthcare Organizations.
2. Cost of major maintenance will be no more than $0.21 per square foot.

Performance Measures

1. Percentage of Regional Mental Health Institutes that pass JCAHO inspection survey on first review.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

2. Major maintenance cost per square foot.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
$ 0.25	$ 0.21	Not more than $ 0.21

Obstacles to Meeting Objectives and Delivering Services

The Department has two very old facilities, Lakeshore and Western Mental Health Institutes. As these facilities have aged, the work to maintain the Joint Committee on Accreditation of Healthcare Organizations (JCAHO) accreditation and meet fire and safety codes has increased dramatically. Further, much of these facilities' infrastructure has gone beyond its useful life, which means that the replacement of entire systems such as plumbing or heating is necessary. Currently, the maintenance needs of these facilities are greater than the Department's resources.

Beyond age of the facilities, their design requires significant renovation to meet JCAHO standards. They were designed for a different purpose than the required services now provided. Older facilities were designed to house patients; current use is that of a hospital which provides treatment. Old patient rooms were designed to have eight, ten or more patients. The current standard is one or two to a room with a bathroom in each room. Older facilities were built in the campus style with many buildings spread across a large area. The current standard is for a single, efficient building. These issues make renovation of current facilities impractical.

Means of Overcoming Obstacles

The Department has preplanning funds for two new RMHIs in the FY 2004 capital budget. Replacement of these facilities will make meeting accreditation standards and fire and safety

codes much easier. New facilities will require much less maintenance. The infrastructure in new facilities will reduce maintenance costs because major renovations will not be necessary for many years. The new facilities will be built to meet JCAHO standards for patient care and will improve efficiency by operation in a single building. One building will result in reduced utility and staff costs.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Major maintenance is 100% state funded; however, the cost of projects is added to the depreciable value of the property of the RMHIs. The cost of depreciation is included in the cost per day of services, which ensures that federal and other non-state revenue is maximized.

Means of Avoiding Unnecessary Costs and Expenditures

All maintenance projects are reviewed by the maintenance directors at each facility and the MHDD Director of construction and engineering before being put out for bid. Projects are let on a basis of proposal cost. F&A Capital Maintenance reviews all projects. Upon completion, all projects are inspected by the maintenance director at each facility and the MHDD Director of Construction and Engineering to ensure the project meets all specifications before payment is approved.

Future Challenges and Opportunities

The current workloads in the RMHIs make some maintenance jobs difficult to schedule because space is needed for treatment. When maintenance jobs are delayed, it is harder to accomplish all the needed maintenance projects timely. Further, if the workloads continue to increase as they have in recent years, expansions of current facilities may be necessary. More facility space will require more maintenance.

The MHDD 's biggest opportunity in facility maintenance is the proposed construction of two new RMHIs. New RMHI facilities will allow provision of better inpatient mental health services more efficiently. Patient rooms and operational facilities will meet all JCAHO accreditation standards. Facility layout in a single building will minimize the required staffing for operations. Reduction of maintenance needed at new facilities will also enable the Department to concentrate on maintenance of the other RMHIs, which have been neglected because of the high critical maintenance needs of the very old facilities.

Performance Data Schedule

Starting in 2004, JCAHO surveys will be done on an unscheduled basis. This means there can be no delay in attending to maintenance needs because there will be no advance notice for JCAHO surveys. In the past, the Department has known the survey schedule and has been able to prepare for it.

Data Verification

The information on the Performance Data Schedule is verified by the RMHI chief officer and reviewed by the Assistant Commissioner of Mental Health Services.

Department of Health

General Agency Information

The mission of the Department of Health is to promote, protect, maintain, and restore the health of people living, working, or visiting the State of Tennessee by facilitating access to high quality preventive and primary care services. Programs include:

1. Executive Administration
2. Bureau of Administrative Services
3. Laboratory Services
4. Health Licensure and Regulation
5. Emergency Medical Services
6. Health Related Boards
7. Division of Technology
8. Division of Policy, Planning, and Assessment
9. Health Services Administration
10. General Environmental Health
11. Maternal and Child Health
12. Communicable and Environmental Disease Services
13. Population-Based Services
14. Women, Infants, and Children (WIC)
15. Local Health Services
16. Alcohol and Drug Abuse Services

The Department works in three major areas to provide service: delivery of personal and community health care and prevention services; quality control in the health care delivery system; and alcohol and drug abuse prevention and treatment.

The Department employs 2,947 full and part-time employees and manages over 650 contracts with various governmental entities, public agencies, and non-profit organizations to provide health services throughout the State.

Administrative and Support Services

343.01 Executive Administration

Executive Administration provides for the overall policy direction and management of the Department, as well as the human resources, legal, and minority health activities.

Statutory and Constitutional Objectives

TCA 4-3-1802 states that the Department of Health shall be under the charge and general supervision of the Commissioner of Health. TCA 4-3-103 states that each Department shall be

vested respectively with such powers and duties as set by law and charged with the administration, execution and performance of such laws as the general assembly may enact.

Mandated and Optional Services and Means of Providing Them

TCA 4-3-18 et seq. mandates that the Department of Health will be under the charge and supervision of the Commissioner of Health. This program contains the Office of the Commissioner, which provides for the overall policy direction and management of the Department. This section also contains the following services: Human Resources, Legal and Office of Minority Health.

The Human Resources Section serves the Department's personnel needs as it relates to hiring, insurance preparation, payroll, personnel actions, personnel records, and any other type of personnel matter.

The Legal Section serves as the Department's contact with the legal community and serves all other areas of the Department's legal needs, such as interpretation of laws, assistance in rulemaking and any other legal matter as the need may arise.

The Office of Minority Health (OMH) is the area contact for the national Office of Minority Health, U.S. Department of Health and Human Services, Public Health Service and associates with the Region IV Office, Southeast Region. The Office of Minority Health serves as a central point for the Department on minority health issues and programs.

Performance Standards

1. Maintain the percentage of Executive Administration's actual cost to total Department cost.

Performance Measures

1. Executive Administration's cost as a percent of total Department cost.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1.16%	1.16%	1.16%

Obstacles to Meeting Objectives and Delivering Services

The Office of Minority Health primarily focuses on addressing health disparities in Tennessee. Changing demographics, particularly in metropolitan areas, present obstacles, such as language barriers and cultural attitudes, to meeting specific objectives and delivering appropriate health services.

Means of Overcoming Obstacles

The Office of Minority Health is focusing on health education by presenting bilingual health education workshops and printed materials for the state's Hispanic population.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Office of Minority Health receives approximately $150,000 in federal funds for expenditures, including positions, relating to monitoring and evaluating community projects that address minority health issues. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government. Program staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as the Federal Register for grants opportunities. The Office of Minority Health maximizes its federal revenue by applying and competing for those grants which present the opportunities to support the most people. Further, indirect costs drawn on the Department's grants will fund approximately 11% of Executive Administration's budget for FY 2003-2004.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. Also, this program undergoes external and performance audits by the Comptroller's Office. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings.

Future Challenges and Opportunities

Executive Administration's Office of Minority Health faces the challenge of a growing Latino community throughout the state. The challenge is to overcome obstacles to serving this population. However, it is also an opportunity for the Department to devise new and innovative ways to serve this segment of the population.

Performance Data Schedule

Financial Management will extract expenditure and revenue reports one week after the completion of month-end close. These reports will be analyzed and submitted to the appropriate Assistant Commissioner and staff for review. Through this process, the Department is able to address any deviations from planned performance.

Data Verification

All data provided will be verified by program managers and executive staff. The reports will be generated from STARS, the statewide accounting system.

343.03 Bureau of Administrative Services

Administrative Services provides administrative support, which includes accounting, budgeting, contracting, facilities management, procurement, payment and property inventory activities for the Department of Health.

Statutory and Constitutional Objectives

TCA 4-3-1007 states that the Department of Finance and Administration has the power and is required to maintain a system of general accounts embracing all the financial transactions of state government and prescribe such subsidiary accounts, for the various Departments for purposes of administration, supervision and financial control. TCA 9-4-5103 requires each Department of state government to prepare estimates of their expenditure requirements for the next fiscal year with the corresponding figures of the last completed fiscal year and estimated figures for the current fiscal year. Also, TCA 12-4-112 states that any state agency, when entering into contracts with any such organizations that agree to provide services to third parties shall establish guidelines for such organizations, subject to approval by the Commissioner of Finance and Administration and the Comptroller of the Treasury. Further, TCA 12-2-103 requires each Department of state government to keep inventory records of the property used by such Department. It is Bureau of Administrative Services charge from the Commissioner to keep such subsidiary accounts as prescribed by the Department of Finance and Administration, prepare expenditure estimates, establish guidelines for contracting with other entities, and keep records of the Department's property inventory.

Mandated and Optional Services and Means of Providing Them

Administrative Services is mandated by law to maintain the accounts prescribed by the Department of Finance and Administration, prepare the yearly expenditure estimates (budget), and to establish and maintain the Department's guidelines for entering into contracts. It is also responsible for the procurement of and payment for goods and services for use throughout the Department using procedures as prescribed by the Department of Finance and Administration in conjunction with the Department of General Services. Also, mandated is keeping of the Department's property inventory. Optional services are analysis of accounts and preparation of specialized reports for presentation to other sections of the Department as it relates to budget, expenditures and contract data. Administrative Services serves as the point of contact with the Department of Finance and Administration for all budgetary, contractual, and financial matters. It also serves as the Department's liaison with the Legislature's Fiscal Review Committee and is responsible for the compilation of fiscal notes for all legislation that may or may not have a fiscal impact on the Department.

Performance Standards

1. Maintain the percentage of Administrative Service's actual cost to total Department cost.

Performance Measures

1. Administrative Service's cost as a percent of total Department cost.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0.78%	0.78%	0.78%

Obstacles to Meeting Objectives and Delivering Services

Much of what Administrative Services does depends on other sections of the Department to properly request, report and take action in a timely manner so that goods and services are procured and paid for efficiently and timely. Also, Administrative Services depends on other sections to draft fiscal notes in a timely manner so that it may edit and pass on information to the Fiscal Review Committee. Further contracts present various problems in timeliness, and scope of performance.

Means of Overcoming Obstacles

Administrative Services is working with other parts of the Department to correct these shortcomings primarily through better communications, and establishing clear guidelines of what is needed and when it is needed. Administrative Services has also taken steps to educate other areas of the Department in the areas of procurement, payments, and contracts through training and dissemination of handouts.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Approximately $1.1 million, or over 30%, in federal indirect cost funds are utilized by the Bureau of Administrative Services to cover its cost of operation. The Department continually requests the appropriate indirect cost levels with each federal grant submitted to the federal government.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. Also, this program undergoes external and performance audits by the Comptroller's Office.

Future Challenges and Opportunities

Administrative Services has the challenge of presenting financial and administrative information in a more timely manner to other areas of the Department. Presently, accounting information is not available until the second or third week of the preceding month. However, since this is a statewide system the Department has no control over this situation. Administrative Services is trying to overcome this shortcoming in the accounting system by providing better cost and revenue projections for each area of the Department in order that they may better manage limited resources.

Performance Data Schedule

Financial Management will extract expenditure and revenue reports one week after the completion of month-end close. These reports will be analyzed and submitted to the Commissioner for review. Through this process, the Department is able to address any deviations from planned performance.

Data Verification

All data provided will be verified by program managers and executive staff. The reports will be generated from STARS, the statewide accounting system.

343.08 Laboratory Services

Laboratory Services offers microbiological and environmental laboratory services for intra- and inter-Departmental programs. These services include screening and confirmation tests for disease outbreak investigation, sexually transmitted diseases, tuberculosis (TB), HIV, mosquito-born viruses, animal rabies, biological and chemical contaminants, and suspect foods. Reference and limited microbiological support is provided to hospitals, private physicians, and private laboratories. The division also provides analytical support to the Department's prevention and treatment programs and to environmental regulatory programs.

Statutory and Constitutional Objectives

TCA 68-5-401 requires all newborn infants to be tested for genetic defects that would result in mental retardation or physical dysfunction. TCA 68-1-104(2) requires the Commissioner to investigate the causes of disease, especially epidemics, which requires laboratory confirmation.

Mandated and Optional Services and Means of Providing Them

State statute requires newborn, sickle cell, and genetic screening services (TCA 68-5-401). Further, state law requires the diagnosis of diseases, such as tuberculosis (TCA 68-9-101-207). Laboratory Services exists to detect these diseases and conditions through laboratory testing and analysis. In addition, the state laboratories provide public health services that are not available from other sources, such as botulism toxin testing and rabies testing.

Performance Standards

1. Conduct microbiological lab tests in accordance with Department guidelines.
2. Conduct organic analysis in accordance with Department guidelines.
3. Conduct inorganic analysis in accordance with Department guidelines.

Performance Measures

1. Number of microbiological lab tests.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
460,000	475,000	475,000

2. Number of organic analyses.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
38,000	39,988	41,000

3. Number of inorganic analyses.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
68,500	72,177	73,500

Obstacles to Meeting Objectives and Delivering Services

One main obstacle for Laboratory Services is that the pool for certain jobs, such as Microbiologists, is very limited nationwide. Additionally, the rapid pace of change in technology and laboratory protocols present challenges.

Means of Overcoming Obstacles

The Department will explore redirecting resources to develop a program of incentives to entice qualified candidates for hard to fill jobs, increase training and have a system of planned replacement of testing equipment.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Laboratory Services receives over $9 million in federal and other funds to provide personnel and specialized equipment for various testing services. To offset expenditures, the Lab contracts with other states that lack some testing capacity, thereby generating additional program revenue. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government.

Means of Avoiding Unnecessary Costs and Expenditures

All state laboratories are certified under the federal Clinical Laboratory Improvement Amendments (CLIA) and must meet certain proficiencies to attain this certification. Training and quality controls help to keep retest costs to a minimum. Procedures and management review of proposed expenditures and accounting reports are also the means of avoiding unnecessary expenditures. Also, this program undergoes external financial and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

Laboratory Services faces several challenges. First, evolving diseases such as West Nile virus are putting increased pressure on Laboratory Services resources. Second, there is the threat of a bioterrorist attack and the need for surge capacity to handle such an incident.

Performance Data Schedule

At least by the 15th of each month, Laboratory Services produces reports for review of testing data.

Data Verification

Specimen data is tracked in the Laboratory Information Management System (LIMS). Data must be verified to meet CLIA requirements. Data provided will be verified by program managers and executive staff. Data will be generated by Laboratory Services data systems.

Bureau of Health Licensure and Regulation

343.05 Health Licensure and Regulation

Health Facilities Licensure and Certification protects the public through licensing health care facilities and certifying providers for participation in federal Medicare and/or Medicaid Programs. Health Licensure and Certification monitors facility compliance with state minimum standards and federal regulations through conducting facility surveys, patient care inspections and complaint investigations.

Statutory and Constitutional Objectives

TCA 68-11-201 et seq. charges the Department of Health to license and regulate health care facilities. The Department has the authority to conduct reviews of all facilities licensed under this part in order to determine compliance with fire and life safety code regulations as promulgated by this program's Board for Licensing Health Care Facilities. Further, TCA 12-4-320 requires Health Licensure and Certification to administer the Residential Homes for the Aged program.

Mandated and Optional Services and Means of Providing Them

The Department is mandated by statute (TCA 68-11-201 et seq.) to license and regulate all health and health related facilities in Tennessee. Statutorily, this program is responsible for the construction plans review, licensing, inspection and disciplinary actions of health care facilities statewide. The agreement the Department has with the Centers for Medicare and Medicaid Services (CMS) establishes the program's responsibility for all activity related to Medicare and/or Medicaid certification in health care facilities statewide as well as disciplinary actions for noncompliance with conditions of participation. In order for patients to receive Medicare/Medicaid reimbursed health care services in Tennessee, the health facility providing these services must be Medicare/Medicaid certified. Further, by statute, Health Licensure and Certification administers the Residential Homes for the Aged program. The program provides supplemental income to homes for the aged residents who meet certain qualifications.

Performance Standards

1. Conduct all required licensure and certification surveys within Department guidelines.
2. Investigate all complaints relative to health care facilities within Department guidelines.

Performance Measures

1. Percentage of licensure and certification surveys completed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

2. Percentage of complaints investigated.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

Changes in legislative mandates can impact the program's ability to meet expectations. Significant changes in both state and federal statutes and regulations over the past several years have significantly increased activity throughout this program. Also, the numbers of complaints by clients of nursing homes facilities have increased significantly. The increased volume of work upon the existing staff stretched the program's personnel resources to a level of concern.

Means of Overcoming Obstacles

For FY 2003-2004, Health Licensure and Certification received an improvement of $666,300 (25% state match and 75% federal) to contract with individuals to monitor compliance with state and federal nursing home standards and to meet the 10-day response standard for complaints that allege harm. Another improvement of $114,100 was approved to hire two additional staff to ensure that renal dialysis clinics meet the same standards of all other licensed health care facilities.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Health Licensure and Certification receives over $7 million in federal and other funds for personnel and other expenditures to ensure health facilities comply with federal and state laws. The Department draws down all earned and available federal revenue on a timely a basis as required by Policy 20 of the Department of Finance and Administration. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government. Health Licensure and Certification is funded by a combination of state (25%) and federal revenue (75%) and will continue to maximize federal revenue barring any unforeseen federal funding changes.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. Also, this program undergoes external and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

Health Facilities Licensure and Certification faces the challenge of the increasing number of elderly in the population and the resulting demand for health care facilities devoted to the care of the elderly. This will increase the workload on existing staff to monitor, inspect and certify these facilities. Health Licensure and Certification has the opportunity to review in-depth its operating procedures and devise new and innovative means to cope with the increased workloads.

Performance Data Schedule

At least by the 15th of each month, the Bureau of Health Licensure and Regulation reviews reports of facility certifications and complaints.

Data Verification

Data provided will be verified by program managers and executive staff. The data will be generated through the program's Automated Survey Processing System (ASPEN), a federal system that tracks health facility surveys and complaints. Complaints are entered into this system through a central intake unit.

343.07 Emergency Medical Services

The Emergency Medical Services (EMS) Program regulates both the public and private emergency services industry which includes licensing ambulance services and EMS personnel (Paramedics, Emergency Medical Technicians, First Responders and Emergency Medical Dispatchers). This program also conducts industry complaint investigations, develops regulations, provides assistance to local governments, provides medical consultation to ambulance service medical directors, and manages a statewide system of ambulance and hospital radio communications. Also, the division coordinates an EMS data collection system and is responsible for statewide emergency medical disaster planning, training, and operations as identified in the Tennessee Emergency Management Plan prepared in conjunction with the Tennessee Emergency Management Agency (TEMA).

Statutory and Constitutional Objectives

TCA 68-140-501 et seq. "Emergency Medical Services Act of 1983" and 68-14-201 et seq. is the statutory basis for the Emergency Medical Services division of the Department of Health.

Mandated and Optional Services and Means of Providing Them

Emergency Medical Services is required to carry out the mandates of TCA 68-140-501 et seq. and 68-140-201 et seq. These mandates include regulation of the ambulance service industry through licensing and auditing ambulance services, inspecting and permitting ambulances, regulating training and licensing of EMS personnel (Paramedics, Emergency Medical Technicians, First Responders and Emergency Medical Dispatchers), investigating complaints, developing regulations, providing assistance to local governments, providing medical consultation to ambulance service medical directors and managing a statewide system of ambulance and hospital radio communications. In addition, the division coordinates an EMS data collection system and is responsible for statewide emergency medical disaster planning, training, and operations as identified in the Tennessee Emergency Management Plan prepared in conjunction with the Tennessee Emergency Management Agency (TEMA).

Performance Standards

1. License all ambulances and emergency service entities required by law and within Department guidelines.
2. License all emergency medical service personnel required by law and within Department guidelines.

Performance Measures

1. Percentage of ambulances and emergency service entities certified.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

2. Percentage of emergency medical service personnel licensed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

Unfunded legislative mandates requiring additional licensing and certification categories increase the demand on the program's existing resources, which affects its ability to meet expectations.

Means of Overcoming Obstacles

Personnel will be trained and educated on an ongoing basis as to changes in state and federal regulations and statutes. Resources will be reallocated to help meet increased demand.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Emergency Medical Services receives over $1 million in federal and other funds. The Department draws down all earned and available federal revenue on a timely a basis as required by Policy 20 of the Department of Finance and Administration. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government. Program staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as the Federal Register for grant opportunities.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. Also, this program undergoes external and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings in this program.

Future Challenges and Opportunities

Emergency Medical Services future challenges will be in the area of bioterrorism. The challenge

will be to have adequately trained and equipped personnel who will work in conjunction with TEMA to coordinate the state's emergency resources to handle such an event.

Performance Data Schedule

At least by the 15th of each month, the Bureau of Health Licensure and Regulation reviews license and certification reports for ambulances, emergency services, and emergency personnel.

Data Verification

License and certification information is maintained on the Department's Regulatory Board System. Data provided will be verified by program managers and executive staff.

343.10 Health Related Boards

Health Related Boards has the responsibility to safeguard the health care of the citizens of the State of Tennessee by regulating and enforcing standards of practice for all health professions in Tennessee. This is accomplished by: setting forth standards for all health professions that must be met before licensure; setting a scope of practice for each profession; and promulgating rules for regulation of the standards. In addition, this program is responsible for appropriately and thoroughly investigating complaints against health care providers in Tennessee and, ultimately, prosecuting those who would violate the scope of practice acts set forth within statutes for each profession.

Statutory and Constitutional Objectives

TCA 63-1-101 et seq. gives the division of Health Related Boards, in the Department of Health, responsibility for licensing those persons engaged in the "practice of the healing arts" plus all administrative, fiscal, inspectional, and clerical functions associated with these boards.

Mandated and Optional Services and Means of Providing Them

This program is mandated by TCA 63-1-101 and has the responsibility for ensuring that minimal qualifications and standards of professional competence are met for licensure and regulation of health care professionals through education and training, clinical, or practical experience, and/or examination. This program is also responsible for the investigation of complaints and prosecution of cases involving the violation of standards of practice by health care professionals. Approximately 198,000 licensed health care professionals are regulated by 28 boards, committees, and/or councils. There is no other regulation of Tennessee's health care professionals absent this program. This program is self-supported 100% by the licensing fees collected from the regulated health care professionals and establishments.

Performance Standards

1. Investigate all complaints against health care professionals in accordance with Department guidelines.

Performance Measures

1. Percentage of complaints against health care professionals investigated.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

One of the primary obstacles this program faces is the lack of knowledge on the public's part of how to formally file a complaint against a licensee. Consequently, many violations go unreported.

Means of Overcoming Obstacles

The means to overcoming the obstacle noted above is education of the public as to what constitutes violations by licensees and how to report them.

Means of Maximizing Federal and Other Non-State Sources of Revenue

As noted above all health related boards are required to maintain solvency. Each board maintains oversight of its revenues and expenditures. When expenditure growth exceeds revenue growth, steps are taken to adjust board fees accordingly.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. Also, this program undergoes external financial and performance audits by the Comptroller.

Future Challenges and Opportunities

The Health Related Boards face the challenge of redesigning each board's test for licensure to account for the changes in the knowledge base of each profession.

Performance Data Schedule

At least by the 15th of each month, the Bureau of Health Licensure and Regulation reviews license and certification reports for regulated health professions.

Data Verification

License and certification information is maintained on the Department's Regulatory Board System. Data will be verified by program managers and executive staff.

Bureau of Health Informatics

343.04 Division of Technology

Information Systems is responsible for the design, development, implementation, maintenance, and support of the Department of Health's computer systems and information technology including the Local Area Network, personal computers, and the Department's mainframes (ASA400s). Information Systems also prepares the Department's three year Information Systems Plan and acts as the Department's liaison with the Office of Information Resources (OIR).

Statutory and Constitutional Objectives

TCA 4-3-1004 states that the Commissioner of Finance and Administration shall make available such electronic equipment as is required for the central handling of accounting, statistical, and engineering operations of the state. Further such services shall be made available to state agencies.

Mandated and Optional Services and Means of Providing Them

The mandate for Information Systems is to provide and maintain those information resources which enable policy makers, administrators and managers to make critical decisions concerning the use of resources which will affect the health of all Tennesseans. Information Systems provides the infrastructure that allows the Department to record, process and analyze all types of information. The sheer volume of information that must be recorded and tracked could not be done manually in an efficient and timely manner. Information Systems provides systems support to all areas of the Department. This support includes systems applications and operations activities for mainframe and personal computers as well as data and text management plus maintenance of the Department's Local Area Network.

Performance Standards

1. Maintain the percentage of Information Systems' actual cost to total Department cost.

Performance Measures

1. Information Systems' cost as a percent of total Department cost.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
0.71%	0.71%	0.71%

Obstacles to Meeting Objectives and Delivering Services

The primary obstacles for Information Systems are obsolete hardware and software plus the lack of human and monetary resources necessary to adapt to constantly changing standards in the technology area. Also, the increasing demand from all sectors of the Department for information systems applications.

Means of Overcoming Obstacles

The primary means of overcoming the obstacles noted above are to setup mandatory replacement dates for all hardware, utilize the Information Systems 3-year Plan as a year round planning and assessment tool, and have key personnel assessing technology and the cost benefits of new technology.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Information Systems draws down all earned and available federal revenue on a timely a basis as required by Policy 20 of the Department of Finance and Administration. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government.

Means of Avoiding Unnecessary Costs and Expenditures

Information Systems engages in strategic planning via the Information Systems three-year Plan which is presented to the state Office of Information Resources. This document is used as a means to justify the Department's systems and proposed systems and as a vehicle to examine the cost structure of each system. The independent review by OIR serves to justify systems cost and avoid unnecessary costs.

Future Challenges and Opportunities

Information Systems has two key challenges, one being the rate of technological change and the other the cost of keeping up with technological change. Information Systems is constantly under pressure to update old systems to the newest technology in order to keep up with state and national standards. This also presents an opportunity in that new systems generally can provide better information for policy makers, administrators and managers to make better informed decisions regarding all of the Department's programs.

Performance Data Schedule

Financial Management will extract expenditure and revenue reports from STARS one week after month-end close is completed. These reports will be analyzed and submitted to the appropriate Assistant Commissioner and staff for review. Through this process, the Department is able to address any deviations from planned performance.

Data Verification

All data provided will be verified by program managers and executive staff. The reports will be generated from STARS, the statewide accounting system.

343.20 Division of Policy, Planning, and Assessment

Policy, Planning, and Assessment maintains and analyzes a variety of health related databases in order to provide statistical information to health care professionals. It is responsible for recording and maintaining all vital event information for the state, which includes births, deaths, marriages, and divorces. Statistical health-related information gathered from these records, as well as other databases are accessed by Policy, Planning, and Assessment to focus on and analyze issues that affect the health of Tennesseans. Other health-related databases accessed by Policy, Planning, and Assessment include the Joint Annual Report system for hospitals, nursing homes and other health care facilities. Policy, Planning, and Assessment is responsible for the Traumatic Brain Injury Registry, the Behavior Risk Factor Surveillance System, the Tennessee Birth Defects Registry, and the Tennessee Cancer Registry. It also manages the development of the Children's Information Tennessee system; a linked database created in partnership with other state agencies that provide services to children.

Statutory and Constitutional Objectives

Tennessee Vital Records Act of 1977, TCA 68-3-101 et seq. requires the Department of Health to collect, compile, and preserve all vital records for births, deaths, marriages and divorces for the state. TCA 68-55-101 et seq. requires the Department of Health to maintain a registry of persons with traumatic brain injury. TCA 68-1-1001 et seq. requires the Department to collect and compile and maintain data concerning all diagnosed cancer cases throughout the state for dissemination to all appropriate members of the medical, scientific and academic research communities for study and research. TCA 68-5-501 et seq. requires the Department to develop and maintain a reporting system to collect data to facilitate the compilation of statistical information on causes, methods of treatment and prevention of genetic disorders and birth defects.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to compile and maintain vital records of births, deaths, marriages and divorces. Data is collected and compiled from hospitals, medical examiners, and county court clerks for analysis and dissemination to properly authorized parties. The Department is also

mandated to compile and maintain a registry of persons with traumatic brain injury. The treating hospital is required to submit data on persons suffering from traumatic brain injury. This data is compiled by the Department and is used to develop a comprehensive plan of services for those who suffer traumatic brain injury

The Department is mandated to compile and maintain data on causes, methods of treatment and prevention of genetic disorders and birth defects. The Department, by statute, has access to all medical records that pertain to a diagnosed or suspected birth defect, including records of the mother. This information is maintained in a database for dissemination to properly authorized parties.

The Department is mandated to compile and maintain data concerning cancer. The Department provides data on cancers to appropriate members of the medical, scientific and academic research communities.

In addition, the program provides these optional services: Children's Information Tennessee (CIT), which is a linked database created in partnership with other Tennessee state agencies that provide services to children. This database allows each Department to determine all the state services provided to a particular child. The Behavior Risk Factor Surveillance System provides statistical data on unhealthy behaviors, such as smoking, in the state's population.

Performance Standards

1. Respond timely to all routine requests for vital records.

Performance Measures

1. Response days for routine requests for vital records.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
4	4	4

Obstacles to Meeting Objectives and Delivering Services

Policy, Planning and Assessment has two main obstacles. The first is unfunded federal mandates in which software program changes are mandated but unfunded. The second is increased customer expectations as customers demand quicker and more convenient service.

Means of Overcoming Obstacles

The program will review and modify processes on a regular basis so as to meet customer expectations. It will also increase usage of the Internet to distribute vital records information.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Policy, Planning and Assessment reviewed its fee structure for vital records and raised them as of October 1, 2002. Fees undergo periodic review to ensure that revenues keep pace with the costs required to render services.

Means of Avoiding Unnecessary Costs and Expenditures

Policy, Planning and Assessment (PPA) maintained the Department's Health Information Tennessee (HIT) website through a contractual agreement. This website is an informatics project designed to disseminate health information. By exploring alternatives for maintaining the necessary information, PPA management identified a $200,000 cost savings, which will be used to address unfunded federal mandates in Vital Records. Also, this program undergoes external financial and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

Policy, Planning, and Assessment faces the challenges of meeting customer expectations for quicker and more convenient access to services and continuing to develop ways to collect relevant data on both current and emerging health issues. An opportunity exists to meet the challenge of collecting relevant data on current and emerging health issues by becoming more involved with the national Healthy People 2010 which is a compendium of national health measures and goals.

Performance Data Schedule

Health data is reported monthly to the Department's Division of Vital Statistics. Most reports will be reviewed monthly. Some results may be published in quarterly reports, while others will be included in annual reports.

Data Verification

The majority of the data is reported to the Department from independent health care entities in Tennessee. This data is stored in various Vital Statistics database systems, such as the Birth Defects Registry, Behavior Risk Factor Surveillance System, and the Tennessee Cancer Registry. The data must be verified and meet certain standards before it is submitted to the federal government for inclusion in national statistics.

Bureau of Health Services

343.45 Health Services Administration

Health Services Administration (HSA) is responsible for the delivery of public health services to the citizens and visitors of Tennessee through a system of thirteen regional health offices responsible for the oversight of services provided in 89 rural and six metropolitan county health Departments. These services encompass both primary care and prevention services with an emphasis on health promotion, disease prevention, and health access activities. Health Services Administration directs, supervises, plans, and coordinates health care service delivery in the state as well as provides administrative support for the following six programs: General Environmental Health, Maternal and Child Health, Communicable and Environmental Disease, Population-Based Services, Women, Infants, and Children (WIC) Supplemental Foods, and Local Health Services.

Statutory and Constitutional Objectives

TCA 68-1-104 requires the Commissioner of the Department of Health to have the general supervision of the interests of health and life of the citizens of this state.

Mandated and Optional Services and Means of Providing Them

While Management and Support Services are not mandated, TCA 68-1-104 does require the Commissioner of the Department of Health to have the general supervision of the interests of health and life of the citizens of this state. The Department is organized into five functional bureaus, one of which is the Bureau of Health Services. This Bureau manages a combination of state, federal, and other funds exceeding $300 million (over 70% of the Department's budget) and over 1,700 employees to deliver direct and indirect health care services across the state. With resources of this magnitude, dedicated leadership and support services are necessary to ensure such resources are effectively managed to fulfill the Department's statutory responsibilities. The support services provided include budget, contract, fiscal, property and procurement, and housing activities.

Performance Standards

1. Maintain the percentage of Health Services Administration's cost relative to the total cost of health services provided.

Performance Measures

1. Health Services Administration's actual cost as a percentage of the total cost of health services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1.38%	1.38%	1.38%

Obstacles to Meeting Objectives and Delivering Services

Health Services Administration oversees over 70% of the Department's financial resources to provide an elaborate matrix of health services in all 95 counties. The complexity of health services coupled with the geographic span of personnel resources present some administrative difficulties. Additionally, the struggling economy, along with a potential decrease in the number of individuals having access to health insurance, increases the demand for public health services. Further, changes in the state's demographics present challenges to service delivery, such as language barriers and balancing resources among various segments of the population.

Means of Overcoming Obstacles

Key Departmental personnel continually work with local and regional health councils, as well as other governmental and non-profit entities, to assess trends in health service needs and potential demand for public health services. Health Services Administration redirects funds to align resources with public health needs. The Department also seeks a more diverse staff, as well as interpreter services, to bridge cultural and language barriers resulting from the state's changing demographics.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Health Services Administration uses approximately $1.2 million federal indirect cost funds to offset the administrative cost associated with the delivery of direct and indirect health services. The Department continually requests the appropriate indirect cost levels with each federal grant submitted to the federal government. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services that are either wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government. Program staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as the Federal Register for grants opportunities. The Office of Minority Health maximizes its federal revenue by applying and competing for those grants which present the opportunities to support the most people. Further, indirect costs drawn on the Department's grants will fund approximately 11% of Executive Administration's budget for FY 03-04.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures. Additionally, the Comptroller's Office performs independent financial and performance audits. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings.

Future Challenges and Opportunities

As the state's budget crisis continues, managing existing resources will become a more challenging task. Changing demographics also challenge the Department to redirect or acquire necessary resources to bridge social barriers through outreach services.

Performance Data Schedule

Financial Management will extract expenditure and revenue reports one week after the completion of month-end close. These reports will be analyzed and submitted to the appropriate Assistance Commissioner and staff for review. Through this process, the Department is able to address any deviations from planned performance.

Data Verification

All data provided will be verified by program managers and executive staff. The reports will be generated from STARS, the statewide accounting system.

343.39 General Environmental Health

The primary function of General Environmental Health services is to protect the public by enforcement of the laws and rules relating to sanitation and safety in hotels, food service establishments, bed and breakfast facilities, organized camps, tattoo studios, body piercing establishments and public swimming pools through a system of permitting and field inspections. It also provides statewide coordination and supervision for activities in rabies control, certain rental housing, and environmental programs. Environmental surveys are also conducted in schools, childcare facilities, and state correctional institutions to provide support to regulatory programs of other state agencies.

Statutory and Constitutional Objectives

TCA 62-38-201 et seq. requires the Department of Health to regulate, certify, and inspect tattoo parlors, tattoo artists, and body piercing establishments. TCA 68-8-1 established the Tennessee Anti-Rabies Law, authorizing the Department of Health to promulgate rules and regulations pertaining to the vaccination of dogs against rabies. TCA 68-14-301 et seq. establish inspections, permits & license, and rules for hotels, food service establishments, public swimming pools, and bed & breakfast establishments. TCA 68-110-1 establish the rules and regulations of organized camps.

Mandated and Optional Services and Means of Providing Them

Mandated services include the following: Inspect and license/permit the following services: tattoo parlors, body piercing establishments, hotels, food service establishments, public swimming pools, and bed and breakfasts. Adopt rules and regulations deemed necessary for the protection of

health and safety of persons using organized camps. Promulgate and enforce rules and regulations pertaining to the vaccination of dogs against rabies.

In addition, the program provides these optional services: The re-inspection of body piercing establishments and inspection of organized camps.

The Department may also grant waivers from rules and regulations governing public swimming pools in excess of fifty thousand square feet.

Performance Standards

1. Maintain or increase the number of rabies vaccinations.
2. Inspect all required establishments for compliance with sanitation laws in accordance with Department guidelines.

Performance Measures

1. Number of rabies vaccinations.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
964,641	950,000	950,000

2. Percentage of required establishments inspected for compliance with sanitation laws.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100%	100%	100%

Obstacles to Meeting Objectives and Delivering Services

The main obstacle in meeting the above performance standards is having the adequate number of personnel to cover the growing demand for inspections. Another obstacle is legislation changing the types of facilities that have to be inspected.

Means of Overcoming Obstacles

Maximize personnel resources by scheduling and training is the primary means of overcoming the obstacles, and when needed, submit an improvement request to increase necessary resources. Fiscal notes are used to identify any proposed legislation that will have a fiscal impact on the program.

Means of Maximizing Federal and Other Non-State Sources of Revenue

General and Environmental Health (GEH) reviews the fee structure for permits and licenses to see if fees are adequate to cover the cost of the program.

Means of Avoiding Unnecessary Costs and Expenditures

GEH management strives to group inspections by geographic location to avoid unnecessary travel expenses. Additionally, training, controls, procedures, and management review of proposed expenditures and accounting reports are the means of avoiding unnecessary expenditures. In addition, this program undergoes external financial and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

The Department has the opportunity to educate regulated and non-regulated personnel on safe food handling through the inspection process in order to eliminate or reduce any food and waterborne disease outbreaks.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of respective period. Annual status reports will be published July 15th each year.

Data Verification

Data about the inspections comes from Custom Data (a third party contractor), and the rabies information is kept at the local health offices and gathered when needed. Data provided will be verified by program managers and executive staff.

343.47 Maternal and Child Health

The Maternal and Child Health (MCH) program provides service systems designed to reduce infant mortality and incidence of handicapping conditions, provide and ensure access to comprehensive care for women, promote the health of children by providing preventive and primary care services, increase the number of children who receive health assessments, diagnostic and treatment services, and provide family-centered, community-based, coordinated care for children with special health care needs. Emphasis is placed on services for low-income populations. Maternal and Child Health also includes adolescent pregnancy prevention, which indirectly addresses problems and issues associated with adolescent pregnancy and parenting among youth ages 10-17. This program provides oversight for the direct maternal and child health services provided through all 95 county health Departments, as well as other governmental and non-profit entities.

Statutory and Constitutional Objectives

TCA 68-5-401 requires MCH to provide genetic screenings for all newborns, while TCA 68-34-104 requires each public health agency in the state to provide contraceptive procedures, supplies,

and information. U.S Department of Health and Human Service's maternal and child health national agenda, as outlined in Healthy People 2010, seeks to increase the health and well-being of women, infants, children, and families by addressing the most significant issues and risk factors affecting maternal and child death rates. U.S. Title 42 7 -V-701 appropriates funds to address the following at the state level: (1) Assurance that low-income mothers and children have access to quality maternal and child health services. (2) Reduce infant mortality and the incidence of preventable diseases and handicapping conditions among children. (3) Increase the number of children (especially preschool children) appropriately immunized against disease. (4) Promote the health of mothers and infants by providing prenatal, delivery, and postpartum care for low income, at-risk pregnant women and preventive and primary care services for low income children. (5) Provide and promote family-centered, community-based, coordinated care for children with special health care needs.

Mandated and Optional Services and Means of Providing Them

Tennessee law mandates newborn, sickle cell, and genetic screening services. Screening and follow up of all newborns for genetic, metabolic, and hemoglobinopathy disorders occur statewide for all infants born in Tennessee. The services also include follow up and referral in order to verify problems and provide counseling, support confirmatory diagnosis, and provide treatment and medical management. If the program is not funded at the current level and these services are not provided, the rate death or mental retardation in infants is likely to increase. These diseases can be life threatening or cause mental retardation if not diagnosed and treated soon after birth (TCA 68-5-401).

Healthy Start Projects target first time parents and place emphasis on health promotion, and prevention of child abuse and neglect through a home visiting model. The Healthy Start program provides intensive services to approximately 1,700 families per year. Children in these families have been determined to be at risk for child abuse and/or neglect. This program is designed to reduce the incidence of child abuse and neglect. The funding level requested is necessary to avoid permanent damage to children and their families and the high cost of state custodial services and psychological treatment (TCA 37-3-701).

To the extent that family planning funds are available, each public health agency of this state and each of its political subdivisions is required to provide contraceptive procedures, supplies, and information. The Department identifies and responds to the public health family planning needs at the regional, local and agency levels through the provision of voluntary, comprehensive, medical and educational services to reproductive age persons who seek services through public health facilities. Priority for services is given to clients who are low income and/or high risk for pregnancy (TCA 68-34-104).

MCH provides assessment, diagnosis and comprehensive medical care for children with special health care needs in Tennessee. While TCA 68-12-101 through 112 empowers the Department to provide these services, 42 USCA 701-709, Title V, Maternal and Child Health Block Grant mandates that the state address the needs of children requiring special medical care. Services are provided to children from birth to age 21 who meet both financial and medical eligibility guidelines. Services are federally mandated to be family centered and community based. There are three components of service: medical service reimbursement, care coordination for families, and parent support through the Parents Encouraging Parents Program (PEP).

While Black Health Initiative services are not specifically mandated, one of the national goals is to eliminate health disparities among different segments of the population. Services in this focus areas address health issues which result in inordinate mortality rates in minority communities include alcohol and other drug abuse, cardiovascular disease, cancer, violence (includes sexual, child and domestic) and injury, infant mortality, HIV/AIDS, other sexually transmitted diseases and ethnic specific diseases, e.g. sickle cell.

Performance Standards

1. Provide health services to children.
2. Provide family planning services to individuals.
3. Provide newborn screenings for genetic disorders.
4. Address health disparity cases.
5. Provide Healthy Start services to families.
6. Provide comprehensive medical care services to special needs children.

Performance Measures

1. Number of children receiving health services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
330,003	335,000	340,000

2. Number of individuals receiving family planning services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
116,446	116,500	117,000

3. Number of newborns screened for genetic disorders.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
77,434	78,000	79,000

4. Number of health disparity cases managed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
965	975	1,000

5. Number of families served by Healthy Start.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,700	1,700	1,700

6. Number of special needs children receiving comprehensive medical care services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
6,244	6,400	6,450

Obstacles to Meeting Objectives and Delivering Services

Any decreases in federal funding or increases in state maintenance-of-effort or state match funds requirements strain the Department resources. Additionally, increased demand for services resulting from economic downturns as well as increases in the number of TennCare non-eligibles not covered by other insurance providers present some difficulties in maintaining effective levels of maternal and child health services.

Means of Overcoming Obstacles

Maternal and Child Health continuously reassesses its priorities and redirects of funds to various services, as necessary. A significant increase in the number of TennCare non-eligibles not covered by other insurance providers would require additional state-funded resources.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Maternal and Child Health uses various sources of federal funds (Indirect Cost, Maternal and Child Block Grant, Family Planning Grant) that exceed $4 million to provide its services. The total Maternal and Child Health (MCH) Block Grant received by the Department exceeds $12 million, of which this program uses over $2 million. Further, the MCH Block Grant has both a state matching funds requirement of over 57% and a total state maintenance-of-effort requirement that exceeds $13 million. The total Family Planning Grant (FP) received by the Department exceeds $5 million), of which this program uses over $900,000. The FP Grant has a 10% state matching funds requirement. Maternal and Child Health also receives over $3 million from the Tennessee Department of Children Services to fund Healthy Start services. The Department draws down all earned and available federal revenue on a timely a basis as required by Policy 20 of the Department of Finance and Administration. Services wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to draw federal revenue directly from the federal government. In addition, the Department maintains a close relationship with the Cash Management Section of Finance and Administration in order to ensure its compliance with the Federal Cash Management Improvement. Finally, Departmental staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as other sources of information, for additional revenue sources to support the services provided in this program area.

Means of Avoiding Unnecessary Costs and Expenditures

Training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures. Additionally, the Comptroller's Office performs independent financial and performance audits. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings.

Future Challenges and Opportunities

There are many challenges to increasing the health of pregnant women, infants, and children in Tennessee. Tennessee's infant mortality rate ranks among the highest in the nation. Additionally, significant disparities exist in maternal and child health measures. In some instances, health indicators are four times greater among minority segments of the population. Many risk factors, such as the health of mothers, prenatal care, quality of health services provided, and infant care, affect infant mortality rates. Opportunities, such as preconception counseling and target outreach services, exist to help mitigate risk factors to maternal and child health.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of the respective period. Annual status reports will be published July 31st each year.

Data Verification

Program managers and executive staff will verify data. The majority of the data is reported from the regional and county health departments to Health Services Administration. This data is stored in the Department's Patient Tracking and Billing Management Information System (PTBMIS), where it is verified.

343.49 Communicable and Environmental Disease Services

The Communicable and Environmental Disease Services (CEDS) provides epidemiological services to protect the citizens of the state from infectious diseases. These activities include epidemiological investigations of acute communicable diseases, tuberculosis control services, administration of immunizations against vaccine-preventable diseases, as well as investigation, diagnosis and treatment of persons with sexually transmitted diseases including HIV/AIDS. This program also provides skilled professional case management intervention, financial assistance, housing, medical and social services, and referrals across Tennessee for persons with HIV, their families and caregivers. This program also provides environmental epidemiology services, which include educational services relative to chemical or physical pollution; disease cluster investigations; and toxicological at-risk assessment consultations with environmental regulatory programs within the Department of Environment and Conservation.

Statutory and Constitutional Objectives

TCA 68-1-104 requires the Commissioner of the Department of Health to have the general supervision of the interests of health and life of the citizens of this state. Communicable and Environmental Services works to discover and eliminate the threat of communicable diseases and to educate people how to protect themselves from illnesses. The Center for Disease Control (CDC) has provided funds to help states expand their bioterrorism and public health preparedness and response capabilities. CDC requires the states and local governments to use the grant funds to

develop comprehensive bioterrorism preparedness plans, upgrade infectious disease investigation, and expand public health laboratory and communication capabilities.

Mandated and Optional Services and Means of Providing Them

Tennessee law states that the legislature's intent is to establish, through the Department of Health, a statewide uniform minimum vaccination and immunization program. Services are designed to control vaccine preventable diseases and eliminate their existence in the state's population. Special emphasis is given to measles, mumps, rubella, and Hepatitis B. The Department promotes these preventive services through the various regulations in the state governing immunization and attendance in day care, schools, and colleges. In 2002, over 900,000 vaccinations were administered by the Department (TCA 68-5-105).

CEDS provides field clinics with diagnosis, treatment and prevention services for tuberculosis. Persons with Tuberculosis are also provided hospital and nursing home services through third-party contracts. These services serve not only the patient, but protect other citizens from exposure to Tuberculosis. As the law specifies, the program maintains a register of Tennessee Tuberculosis cases and conducts epidemiological studies to better understand and control the disease (TCA 68-9-101-207).

The Commissioner of Health is required to serve as an ex officio, voting member of Tennessee's Hospital Bio-Preparedness Planning Committee. This committee is required to identify the general framework as well as the requirements and necessary components of regional hospital plans for bioterrorism. Through the Communicable and Environmental Disease Services (CEDS) program, the Department provides strategic leadership, direction, coordination, and assessment of activities to ensure state and local readiness, interagency collaboration, and preparedness for bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies. As a part of readiness activities, drugs will be stockpiled and personal protective equipment will be purchased for key personnel. Security will be upgraded at those locations in which the drugs will be stockpiled. The Department, with funding support from the Centers for Disease Control and Prevention, has established a program for Public Health Preparedness and Response for Bioterriorism. Response plans for incidents of bioterrorism are being developed, implemented and exercised. Surveillance and Epidemiology Capacity strengthens the Department's ability to detect and respond to bioterrorism, outbreaks of infectious disease, and other health emergencies. Homeland Security is necessary for the protection of the citizens of Tennessee (TCA 68-56-107).

The Commissioner is required to make investigations and inquiries into the causes of disease, especially epidemics, the causes of death, effects of employment, habits, localities and circumstances, upon the health of the people. Epidemiology provides services to determine the related effects of infectious disease transmissions, the health impact of environmental pollutants, threat of bioterrorism, and the ongoing monitoring and evaluation of the health status and condition of Tennesseans. These services involve medical consultations to the health provider community, the public health provider, and the general public. These services are essential in preventing the spread of infectious disease outbreaks in Tennessee. A significant emphasis is placed on providing technical assistance to communities and providers when a food-borne disease outbreak is suspected, when rabies control procedures are required, and when pathogenic vector transmissions occur which are not vaccine preventable. The program supports and enhances the existing epidemiology and state laboratory response capacity and focuses on emerging infections

providing for active surveillance of invasive bacteria, foodborne illnesses and special studies (TCA 68-1-104).

The Department is also required to establish an AIDS Center of Excellence advisory committee to advise the Department of Health in the designation of AIDS Centers of Excellence, provide quality assurance monitoring for the centers, and the establishment and review of policies for continuation of the AIDS Centers of Excellence. Services in this area are designed to prevent and control HIV/AIDS through surveillance, education, and client-centered counseling and testing. Additionally, this program provides skilled professional case management intervention, financial assistance, housing, medical and social services, and referrals across Tennessee for people with HIV disease and their families, and caregivers (TCA 68-10-118).

Every person who makes a diagnosis, treats, or prescribes for a case of sexually transmitted disease and every health care facility in which there is a case of sexually transmitted disease is required to report the case immediately to the Commissioner. Further, TCA 68-1-104 requires the Commissioner to make investigations and inquiries into the causes of disease, especially epidemics, the causes of death, effects of employment, habits, localities and circumstances, upon the health of the people. Activities in this area provide diagnostic and treatment services, education and information, surveillance, and disease detection through screening and disease intervention (interviewing and contact tracing). These services are generally provided through the local county health Departments throughout the state (TCA 68-10-101).

Performance Standards

1. Provide immunization to the public.
2. Test, diagnose, and treat individuals for sexually transmitted diseases.
3. Test, diagnose, and treat individuals for tuberculosis.
4. Test, diagnose, and treat individuals for HIV/AIDS.

Performance Measures

1. Number of immunization doses provided.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,100,845	1,157,677	1,166,940

2. Number of individuals tested, diagnosed, and treated for sexually transmitted diseases.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
200,000	204,000	208,000

3. Number of individuals tested, diagnosed, and treated for tuberculosis.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
180,600	234,000	265,000

4. Number of individuals tested, diagnosed, and treated for HIV/AIDS.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
100,000	110,000	121,000

Obstacles to Meeting Objectives and Delivering Services

Education and health access are keys to positively affecting health measures in Communicable and Environmental Disease Services (CEDS). Changes in the state's demographics brings about social, cultural, and language barriers to educating the public about diseases. These barriers further present difficulties in getting segments of the population into public or private health care systems.

Means of Overcoming Obstacles

The Department continues outreach services and redirects funds, as necessary, to address needs in targeted populations. To address issues requiring considerable resources, additional funding is sought through improvement requests.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Communicable and Environmental Disease receives federal funds exceeding $13 million for HIV/AIDS services and over $6 million for bioterrorism. The Department draws down all earned and available federal revenue on a timely a basis as required by Policy 20 of the Department of Finance and Administration. Services wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government.

In addition, the Department maintains a close relationship with the Cash Management Section of Finance and Administration in order to ensure its compliance with the Federal Cash Management Improvement. Finally, departmental staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as other sources of information, for additional revenue sources to support the services provided in this program area.

Means of Avoiding Unnecessary Costs and Expenditures

The Comptroller's Office performs annual independent financial and performance audits of select federally funded programs and biennial audits on state funded programs. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program. Additionally, training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures.

Future Challenges and Opportunities

Nationally, HIV rates have appeared to stabilize. However, elimination of disparities in the rate of HIV/AIDS infection among minority segments of the population remains a challenge.

Enhanced outreach opportunities exist to reach particularly high-risk segments of the population, such as injection drug users, homeless persons, and incarcerated persons.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of the respective period. Annual status reports will be published July 31st each year.

Data Verification

TCA 68-10-101 requires every person who diagnoses, treats, or prescribes for a case of sexually transmitted disease and every clinic, hospital, and laboratory to report sexually transmitted disease cases immediately to the Department of Health. Some data is maintained in the Federal Center for Disease Control's National Electronic Telecommunications Surveillance System (NETSS) and Tuberculosis Information Management System (TIMS), and other data is stored in the HIV & Aids Reporting System (HARS) and the Immunization Registry within the Department. Patient encounter data is reported from the regional and county health Departments to Health Services Administration. This data is stored in PTBMIS, where it is verified by central office staff.

343.52 Population-Based Services

The Population-Based Services program uses a combination of state, federal, and other funds to provide health promotions designed to reduce premature death and disability and promote healthy lifestyle practices through a combination of preventive outreach and wellness initiatives. The target population served is the indigent and medically underserved. Specific focus areas include: Health access, Rural health, Sexual assault prevention & education, Chronic renal disease, Hemophilia, Community services, Dental services, Traumatic brain injury, State Medical Examiner's, and Employee health clinic.

Statutory and Constitutional Objectives

TCA 68-1-104 requires the Commissioner to have the general supervision of the interests of health and life of the citizens of this state, which encompasses the above focus areas. TCA 66-29-151 requires the Department to enhance health access and services in underserved areas of the state. TCA 68-35-101 and TCA 68-41-102 require the Department to care for and treat persons suffering from chronic renal disease and hemophilia.

Mandated and Optional Services and Means of Providing Them

The Health Access Incentive Account was established by state law, which also requires the Commissioner to develop programs designed to enhance health access and services or locate practices in areas of the state designated as health resource shortage areas. These services address the problem of inadequate health care for individuals who reside in underserved communities.

Projects are implemented that demonstrate new and innovative models of health care services delivery in underserved areas that lack basic health services, including the expansion of health and dental services as well as the location of appropriate practitioners in health resource shortage areas (TCA 66-29-151).

The Department is required to provide for the care and treatment of persons suffering from chronic renal disease. Chronic Renal Services provides financial assistance to medically indigent Tennesseans with chronic renal disease. Assistance is for the cost of approved pharmaceuticals, TennCare insurance premiums, and dental services for individuals who meet certain medical and financial eligibility criteria. Additionally, the Renal Disease Intervention Project, a case management program for individuals diagnosed with diabetes and/or hypertension, focuses on the prevention of renal disease among at-risk populations (TCA 68-35-101).

The Department is required to provide for the care and treatment of persons suffering from hemophilia. Hemophilia Services provides financial assistance to medically indigent Tennesseans with Hemophilia or other genetic bleeding disorders. Assistance is provided for the cost of blood-related medical expenses not covered by other third party insurers as well as the payment of third party insurance premiums for qualified individuals. Additionally, funding is provided to five comprehensive Hemophilia clinics across the state (TCA 68-41-102).

The Traumatic Brain Injury Fund was established by state law, and the Department is authorized to provide support services designed to increase the quality of life for persons suffering from a traumatic brain injury and their family members. Currently, there are eight service coordinators located in various non-profit agencies across the state providing service coordination to survivors and family members. The service coordinators develop comprehensive plans of care, provide referrals to available resources, coordinate services for individual client advocacy, and bridge gaps in the service delivery system. The Department collects and disseminates information on services through the TBI Clearinghouse, gathers and analyzes data in the TBI Registry, and provides grants and other funds for home and community based programs (TCA 68-55-401).

Tennessee is required to have a State Medical Examiner. The Departments also provides payment (in accordance with applicable State law and the approved fee schedule) for autopsies that are requested by the various county medical examiners and district attorneys general (TCA 38-7).

The Office of Rural Health is an optional service that provides statewide coordination of activities designed to increase the availability and accessibility of health care services in rural areas.

Sexual Assault Prevention & Education is an optional service that seeks to reduce the incidence of rape and attempted rape through education of the public, training for law enforcement agencies and hospitals, and direct services to victim and their support systems. Currently, the Department funds seven rape crisis centers that are designed to increase community awareness and education on the prevention of sexual assault and abuse. These centers offer training to professionals, court advocacy, accompaniment to medical exams, and face-to-face counseling. Each center has a 24-hour crisis hotline to provide crisis counseling. Support is also provided to the families and significant others of victims

Community Services is an optional service community development and community diagnosis functions, health promotion, community education activities, administration and evaluation of community-based components including the Community Prevention Initiative (CPI), Tobacco Control and Prevention, and Diabetes Education and Control. These programs also include

lifestyle improvement targeted to numerous prevention activities. These programs focus on the use of data for analysis with local health councils and communities, which allows the community to prioritize issues and develop interventions. Community education brings technical expertise, research capabilities and facilitation of groups to develop the most effective strategies. The focus is to improve the health status of individual community residents and the community as a whole. These programs support and enhance the quality of life for communities, particularly children and youth and development of preventive strategies, which promote healthy beliefs and improved support services to communities.

Dental Health is an optional service that increases the oral health of all Tennesseans through the provision of oral disease prevention, oral health education, and dental care services with particular emphasis on school-age children who are at highest risk for developing oral diseases.

The Employee Health Clinic is an optional service that provides medical care to state employees through utilization of a part-time physician, nurse clinicians and support staff. These services keep employees on the job by providing accessibility to acute medical care and by preventing employees from having to take extensive sick leave for minor illnesses.

Performance Standards

1. Provide chronic renal services to the public.
2. Provide hemophilia services to the public.
3. Provide dental treatment services to the public.
4. Provide nutrition education services to the public.

Performance Measures

1. Number of persons receiving chronic renal services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,300	1,375	1,400

2. Number of persons receiving hemophilia services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
300	350	400

3. Number of persons receiving dental treatment services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
32,000	34,000	36,000

4. Number of patients receiving nutrition education services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
43,921	30,000	35,000

Obstacles to Meeting Objectives and Delivering Services

Behaviors influenced by environmental, cultural, and socioeconomic factors affect the demand for health services. Poor dietary intake and physical activity lead to obesity, which is associated with four of the ten leading causes of death: heart disease, stroke, cancer, and Type 2 diabetes.

Means of Overcoming Obstacles

The Department continues outreach and educational services and redirects funds, as necessary, to address health promotion needs in the state. Positively influencing personal health behaviors requires a concerted effort to pool resources through partnerships forged between public and private sector entities and local communities.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Population-Based Services receives over $5 million federal funds to support health promotion objectives. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to electronically draw federal revenue directly from the federal government. In addition, the Department maintains a close relationship with the Cash Management Section of Finance and Administration in order to ensure its compliance with the Federal Cash Management Improvement.

Finally, Departmental staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as other sources of information, for additional revenue sources to support the services provided in this program area.

Means of Avoiding Unnecessary Costs and Expenditures

The Comptroller's Office performs annual independent financial and performance audits of select federally funded programs and biennial audits on state funded programs. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program. Additionally, training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures.

Future Challenges and Opportunities

Population-Based Services will be challenged to address environmental, cultural, and socioeconomic factors that affect the demand for health services. Educational opportunities exist in early childhood development to influence dietary intake and physical activity.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of the respective period. Annual status reports will be published July 31st each year.

Data Verification

Patient encounter data is reported from the regional and county health Departments to Health Services Administration. This data is stored in PTBMIS, where it is verified by central office staff. PTBMIS was audited for the period ending June 30, 2002 and was found to have appropriate general and application controls in place.

343.53 Women, Infants, and Children (WIC)

The Women, Infants, and Children (WIC) Supplemental Foods Program uses a combination of federal and other funding to provide screening, counseling, and food supplements to needy women, infants, and children. Through promotion and modification of food practices, this program seeks to minimize the risk of complications to mothers and children, maximize normal development, and improve the health status of the targeted high-risk population. This program has 20 central office employees that coordinate point-of-delivery (POD) services through local health Department staff. Monthly services are provided to approximately 150,000 participants.

Statutory and Constitutional Objectives

TCA 68-1-104 requires the Commissioner to have the general supervision of the interests of health and life of the citizens of this state, which encompasses the above focus areas. The federal government's objective is to reduce mortality rates of women, infants, and children, as well as the elderly, through the promotion and modification of food practices at the state level.

Mandated and Optional Services and Means of Providing Them

Women, Infants, and Children Services is an optional service that provides nutrition education, supplemental food, and referrals for health care for the targeted low-income population. The Department seeks to reduce nutrition-related morbidity and premature mortality through promotion and modification of food practices to prevent or alleviate health problems, which relate to food use. The target populations are pregnant, breastfeeding, postpartum women, infants and children up to age five.

Commodity Supplemental Food is an optional service that provides supplemental food to women, infants, and children, as well as, elderly men and women. Tennessee currently has an assigned caseload of 16,833, of which 88% is elderly.

Performance Standards

1. Provide WIC services to the targeted population.

Performance Measures

1. Number of people receiving WIC services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
152,908	154,900	155,500

Obstacles to Meeting Objectives and Delivering Services

Any decreases in federal funding funds would strain the Department resources. Additionally, increased demand for services resulting from economic downturns presents some difficulties in maintaining effective levels of WIC.

Means of Overcoming Obstacles

WIC services are totally funded with federal and other funds. Any increase in demand requires the Department to seek additional federal funds or reduce allocated amounts to accommodate additional participants.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department receives over $125 million ($90 million federal and $34 million in non-governmental) to support WIC services, of which this program uses over $108 million. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to draw federal revenue directly from the federal government. In addition, the Department maintains a close relationship with the Cash Management Section of Finance and Administration in order to ensure its compliance with the Federal Cash Management Improvement Act. Finally, Departmental staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as other sources of information, for additional revenue sources to support the services provided in this program area.

Means of Avoiding Unnecessary Costs and Expenditures

The Comptroller's Office performs annual independent financial and performance audits of select federally funded programs and biennial audits on state funded programs. Additionally, training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

WIC Services will be challenged to influence dietary intake and physical activity, as behaviors that affect these health factors are difficult to modify.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of the respective period. Annual status reports will be published July 31st each year.

Data Verification

Data provided will be verified by program managers and executive staff.

343.60 Local Health Services

Local Health Services is the direct patient care delivery arm of the Department of Health. It is through Local Health Services that the major programs of the Department interface with the public. Services are delivered through a network of regional health offices, six metropolitan area offices, and 89 county health Departments. Grant-in-aid is provided to local health units to assure that every citizen in the state has access to health care and to assist county health Departments in providing adequate staff. This program uses 1,570 state employees, as well as a number of contractual local employees to provide the following direct health care service: Child health and development, Family planning services, Community health/primary care, Dental services, Women, Infants, and Children (WIC), Children's special services, Immunizations services, Health promotion services, Sexually transmitted diseases services, Tuberculosis control services, AIDS services, A & D intake, assessment & referral, Community development, Families First home visits, TennCare outreach activities.

Statutory and Constitutional Objectives

TCA 68-1-104 requires the Commissioner to have the general supervision of the interests of health and life of the citizens of this state. TCA 68-2-901 requires the equitable allocation of local health resources to ensure a basic level of health services.

Mandated and Optional Services and Means of Providing Them

The design, standards, and quality monitoring of mandated services, such as WIC, tuberculosis, sexually transmitted diseases, etc. are the responsibility of other programs. However, metropolitan, regional, and county health departments (Local Health Services) are the locations through which these programs (WIC, TB etc.) are provided directly to the public. Each local health office throughout the state provides the following core services: WIC and nutritional counseling, immunizations, sexually transmitted disease services (counseling and treatment), and well-child clinics. Other services offered at some, but not all, local health offices include clinical

dental services, primary care, and prenatal services.

TennCare Community Support is an optional service that is provided by the Bureau of Health Services, under contract with the Bureau of TennCare, provides Advocacy and Families First Home Visiting services for TennCare enrollees. Advocacy services include: providing TennCare information to enrollees; assistance with the application process; education concerning proper utilization of the managed care system; assistance in obtaining appropriate referrals and prior authorization of services; assistance in locating providers for various types of services; and filing appeals when services are denied or otherwise not made available. Families First services include: home visits in accordance with the Department of Health Families First Home Visit Protocol; documentation of all home visits and outcomes; and an annual report to the State detailing the number of Families First home visits and outreach efforts. The Bureau of TennCare has required the Managed Care Organizations not achieving an 80% level of Early Periodic Screening Diagnosis and Treatment (EPSDT) screenings for children under 21 to allow the Bureau of Health Services to perform EPSDT screenings without prior authorization or referral. The TennCare Managed Care Organizations are required to reimburse for these services at a mandated rate. Additionally, the Bureau of TennCare has provided funding to the Bureau of Health Services for providing school-based dental screenings. These screenings will identify children with dental needs and the parents will be notified to take the children to a dentist for treatment.

Performance Standards

1. Provide TennCare enrollees community support services.

Performance Measures

1. Number of TennCare enrollees receiving community support services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
610,000	615,000	625,000

Obstacles to Meeting Objectives and Delivering Services

The Department shares local health department expenses with local city and county governments. Any reduction in local governments' participation in expenditures would strain state resources to meet the demand for public health services.

Means of Overcoming Obstacles

The Department continues to work with local health councils in all 95 counties of the state to assess resource shortages. Thereby, the Department is able to reallocate resources to ensure basic levels of health services across the state.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Local Health Services receives over $138 million (over 50% federal and 30% inter-Departmental) to support direct patient care services. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services wholly or partially funded by federal dollars are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to draw federal revenue directly from the federal government. In addition, the Department maintains a close relationship with the Cash Management Section of Finance and Administration in order to ensure its compliance with the Federal Cash Management Improvement Act. Finally, Departmental staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as other sources of information, for additional revenue sources to support the services provided in this program area.

Means of Avoiding Unnecessary Costs and Expenditures

The Comptroller's Office performs annual independent financial and performance audits of select federally funded programs and biennial audits on state funded programs. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program. Additionally, training, controls, procedures, and management's review of proposed expenditures and accounting reports are the Department's means of avoiding unnecessary expenditures.

Future Challenges and Opportunities

As the state demographics change and local governments contend with finance issues, the Department will be challenged to allocate equitable resources to ensure basic levels of health services across the state.

Performance Data Schedule

Monthly and quarterly status reports will be generated by the 15th of the following month, after the close of the respective period. Annual status reports will be published July 31st each year.

Data Verification

Patient encounter data is reported from the regional and county health Departments to Health Services Administration. This data is stored in PTBMIS, where it is verified by central office staff. PTBMIS was audited for the period ending June 30, 2002 and was found to have appropriate general and application controls in place.

Bureau of Alcohol and Drug Abuse Services

343.44 Alcohol and Drug Abuse Services

The major function of Alcohol and Drug Abuse Services (A&D) is to reduce substance abuse by promoting prevention and education, reduce high risk behaviors through community programs and activities, and ensure alcohol and drug services are available to individuals in need.

Statutory and Constitutional Objectives

TCA 40-33-2 and 55-10-4 established and funded the Alcohol and Drug Addiction Treatment Fund (ADAT). This fund was established to allow people who are declared indigent access to alcohol and drug services.

TCA 68-24-101 et seq. established the "Comprehensive Alcohol and Drug Treatment Act of 1973" and "Alcohol Abuse Prevention Act of 1990" stating the prevention of alcoholism and drug dependence should be accomplished in a number of ways, including public education concerning the causes, symptoms, and nature of alcoholism and drug dependence. In order to educate the public, the Department is required to prepare and distribute suitable educational material to the schools and interested members of the public, render assistance to suitable local agencies, and provide activities promoting public interest in and information about substance abuse and dependence.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to formulate and effect a plan for the prevention of alcohol and drug abuse and for the care, treatment, and rehabilitation of alcohol and drug dependent persons as well as furnishing aid to alcohol and drug abusers, in such manner as to afford them with the greatest benefit.

The Department is mandated to work with hospitals, clinics, mental health centers, and physicians to make suitable arrangements to afford cost of treatment of alcohol and drug abuse. The Department also carries out educational and informational programs on alcoholism and drug dependence.

The Department is mandated to formulate, undertake, and carry out a research and evaluation program on alcoholism and drug dependence and serve as a clearinghouse for information relating to alcohol and drug abuse.

The Department is mandated to develop, encourage, and foster statewide, regional, and local plans and programs in the field of alcoholism and drug dependence.

The Department is mandated to review, comment upon, and assist public agencies and local governments with applications for grants or other funds for services for alcohol and drug abusers to be submitted to the federal government. The Department is mandated to enlist the assistance of public and voluntary health, education, welfare, and rehabilitation agencies in a concerted effort to prevent and treat alcohol and drug abuse and dependence and encourage the

development of A&D rehabilitation projects for industries, and new treatment facilities in the state.

Through direct administration or through contracting with service providers, the Department shall establish comprehensive, culturally relevant, drug and alcohol abuse prevention pilot programs. The pilot programs shall be located in those areas of the state which are especially in need of such programs and which will generate sufficient data to thoroughly measure and evaluate the overall efficiency and effectiveness of such programs.

As an optional service, through grants contracted with community-based agencies, the Commissioner is authorized to plan, establish, and administer pilot projects to develop effective and efficient prevention and treatment services for low-income, pregnant substance abusers.

Performance Standards

1. Offer in-patient treatment for people that need treatment.

Performance Measures

1. Number of bed-days for treatment services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
301,870	350,000	350,000

Obstacles to Meeting Objectives and Delivering Services

The capacity of the drug and alcohol prevention programs and treatment centers is not increasing with demand. Another obstacle is the stigma attached to alcohol and drug abuse and the public's perception that such abuse is a choice and not an illness.

Means of Overcoming Obstacles

A&D continues to look for new types of funding available from the federal government and other sources to provide services in areas of inadequate capacity. A&D will refine some of its public education programs to address the stigmata associated with alcohol and drug abuse.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Alcohol and Drug Abuse Services uses over $30 million in federal funds to provide prevention and treatment services. The Department draws down all earned and available federal revenue as required by Finance and Administration's Policy 20, which governs cash management. Services that are funded by federal dollars, either wholly or partially, are tied to the appropriate federal grant in the State of Tennessee Accounting and Reporting System (STARS). As expenses are incurred, STARS produces a daily drawn-down report, which is used to draw federal revenue directly from the federal government electronically. Program staff continuously reviews the Catalog of Federal Domestic Assistance (CFDA), as well as the Federal Register for grants

opportunities. The federal block grant has a continuance of effort that the state has to match over a two-year period.

Means of Avoiding Unnecessary Costs and Expenditures

A&D evaluates clients for appropriate levels and types of alcohol and drug abuse treatment to avoid unnecessary costs. Additionally, training, controls, procedures and management review of proposed expenditures and review of accounting reports are the means of avoiding unnecessary expenditures. In addition, this program undergoes external and performance audits by the Comptroller. For the period ending June 30, 2002, the Comptroller's Office reported no audit findings for this program.

Future Challenges and Opportunities

One of the biggest challenges that the Department faces is the growing prevalence of home manufactured drugs and the resultant abuse of these drugs, particularly methamphetamines. This problem gives the Department the opportunity to use its systems to address issues that arise from the manufacture and abuse of these types of drugs.

Performance Data Schedule

Treatment data is reported monthly to the Department's Division of Alcohol and Drug Abuse. Most reports will be reviewed monthly. Some results may be published in quarterly reports, while others will be included in annual reports.

Data Verification

Data provided will be verified by program managers and executive staff. The majority of data will be generated automatically through Alcohol and Drug Management Information System (ADMIS), the Tennessee Outcomes for Alcohol and Drug Abuse Services (TOADS), and the Tennessee A&D Prevention Outcome Longitudinal Evaluation (TADPOLE) systems, as well as other state databases. ADMIS was audited for the period ending June 30, 2002 and was found to have appropriate general and application controls in place.

Department of Human Services

General Agency Information

The Tennessee Department of Human Services (DHS) provides a quality system of coordinated human services to meet the changing needs of individuals, children and families in Tennessee. DHS helps protect the vulnerable and enables those in need to achieve self-sufficiency and to improve their quality of life.

The department is divided into the following programs:

1. Division of Administration
2. Field Operations
3. County Rentals
4. Temporary Cash Assistance
5. Food Stamp Coupons
6. Family Assistance Services
7. Community Services
8. Child Care Facilities Loan Program
9. Child Support
10. Vocational Rehabilitation
11. Disability Determination

Administration

345.01 Division of Administration

The administrative program is responsible for providing more than 20 different types of services to almost one million Tennesseans each month. The administrative program provides the basic infrastructure of administrative services to support the performance objectives of all the departmental programs. These include such services as fiscal, audit, technology, and personnel.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 71-1-105 charges the department with the administration and supervision of all of the public welfare activities of the state. The department is mandated under Part 105 with the establishment and enforcement of rules, regulations and policies as necessary to carry out the responsibilities of the department and to promote measures to restore persons receiving assistance or services for the department to a condition of self-support.

TCA 4-3-1203 requires the administration or supervision of all functions of the federal Social Security Act, and cooperating with the federal government in establishing, extending, strengthening or reforming services to assist persons/families in need of such services.

Mandated and Optional Services and Means of Providing Them

The federal government recognizes all of the services in this administrative program to be supportive of the federally mandated programs. In order for the federal government to share in the funding of the administrative program, the "cost must be necessary and reasonable for the effective and efficient administration" of each federal program in which the department participates. The Social Security Administration, U.S. Department of Agriculture, Department of Health and Human Services, and the U.S. Department of Education have approved the department's cost allocation plan as the appropriate method of determining and allocating indirect costs of all programs within this administrative program.

Performance Standards

1. Increase the availability of the Family Assistance computer system (ACCENT).
2. Increase the availability of the Child Support Enforcement computer system (TCSES).
3. Increase the percentage of vendor invoices paid within 10 days of receipt.

Performance Measures

1. Percentage of time ACCENT is available.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
98.68%	99.34%	99.50%

2. Percentage of time Child Support Enforcement System is available.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
98.10%	99.00%	99.50%

3. Percentage of childcare invoices paid within 10 days of receipt. *

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
93.30%	94.00%	95.00%

* Represents approximately 140,000 invoices.

Obstacles to Meeting Objectives and Delivering Services

A major obstacle to providing administrative support to the various programs within the department is the reliance on antiquated technology.

Means of Overcoming Obstacles

The department will review and evaluate the Family Assistance computer system, the Automated Client Certification Eligibility Network for Tennessee (ACCENT), and its related internal and external applications. This review will result in the development of an Request for Proposal

(RFP) for a vendor to implement a computer system designed to address the needs of Family Assistance and related programs.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal funds are utilized for this program as defined in the department's approved cost allocation plan.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager. Data is available at the allotment code level down to the transaction level.

Future Challenges and Opportunities

A near term challenge will be ensuring that all program activities and supporting system technology are Health Insurance Portability and Accountability Act (HIPAA) compliant. In addition to maintaining the confidentiality of health information, the department has plans to develop a manual and provide training on the use of confidential Internal Revenue Service data.

Performance Data Schedule

Performance data are currently reported on a quarterly basis.

Data Verification

The department relies on internal system verification of data in addition to standard auditing procedures to verify accuracy.

345.16 Field Operations

Field Operations provides supervision and administrative support to local offices in each of Tennessee's 95 counties. This program is used as a management and accounting tool to capture expenditures associated with supervision and administrative support of the local offices. This program is supported with a mixture of state, federal, and other dollars.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 71-1-105 designates the Department of Human Services with the administration or supervision of all of the public welfare activities of the state.

Mandated and Optional Services and Means of Providing Them

The basic services provided by this program are essential to meeting the performance measures of other mandated programs within the department, especially those programs operating out of local field offices. These services include supervision, fiscal, purchasing, records management, time keeping and clerical.

Staff must return Random Moment Sample surveys timely to complete the quarterly cost allocation plan. These surveys collect employee work activity data so that expenditures can be appropriately distributed across multiple funding sources.

Performance Standards

1. Increase the timeliness of Random Moment Sample surveys to 99%.

Performance Measures

1. Random Moment Sample surveys returned timely.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
96.15%	97%	99%

Obstacles to Meeting Objectives and Delivering Services

To satisfy the cost allocation requirements of multiple federal programs, the Department of Human Services currently utilizes a random moment sample coordinated by the support staff in Field Operations. This process involves the random selection of employees to determine what program activity the employees are engaged in at randomly selected times. The current process is very paper intensive and prone to error. Presently Random Moment Sample forms are generated at the Central Office, sorted by field location, and mailed to the field. Once completed, the forms are returned by mail to Central Office for data entry. Since the current process is paper intensive, local support staff have less time they are available to help Family Assistance customers with appointments, copies, or completing applications. This causes these clerical/administrative duties to be pushed onto the counselors.

Means of Overcoming Obstacles

The department has included in its FY 2003-2004 Information Systems Plan a project to automate the Random Moment Sample (RMS) used to determine and allocate administrative program expenditures to the appropriate federal programs. The automation of this process will increase efficiency resulting in more analysis of data collected. The system will also provide a more detailed and accessible audit trail for data validity and federal program compliance.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal funds are utilized for this program as defined in the state's approved cost allocation plan.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

Maintaining a skilled workforce at the local offices will continue to be a challenge for the department. Because of the complexity of the Family Assistance programs, it is imperative that training be given a high priority in the department. The communication of policy changes to the field in a clear and concise format will be key to the department meeting its performance objectives. An improved working environment will make the task of recruiting and retaining employees easier in the future. By addressing the security concerns of front-line staff and making all of the DHS offices more customer friendly and accessible, the department can overcome many challenges to recruiting and retaining employees.

Performance Data Schedule

Random Moment Sample data is reported by the local offices on a quarterly basis.

Data Verification

Data on all surveys is edited by statistical staff for accuracy.

345.17 County Rentals

With more than 130 office locations, the Department of Human Services (DHS) is one of the few state agencies with local offices in all 95 counties. This program is used as an accounting tool to capture expenditures associated with those offices. These expenditures reflect such items as rent, phones, janitorial services, maintenance, and computer network charges.

Statutory and Constitutional Objectives

This program has no statutory or constitutional objectives of its own but rather is used as a management tool in the accomplishment of objectives for other departmental programs.

Mandated and Optional Services and Means of Providing Them

Tennessee Code Annotated (TCA) 71-1-105 designates the Department of Human Services with the administration or supervision of all of the public welfare activities of the state.

Performance Standards

1. Ensure functional office space for department employees is available each day the state is open for business. Active leases must be in place for each DHS office during the fiscal year.

Performance Measures

1. Number of active leases.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
124	123	123

Obstacles to Meeting Objectives and Delivering Services

As the need for services increases, the growth in on-site client visits and telephone traffic at DHS offices creates obstacles to meeting desired performance outcomes. With response to this growth limited by existing resources, service delivery is often negatively impacted.

Means of Overcoming Obstacles

The limited resources available to the department are enhanced by the use of advanced technology to address increases in on-site client visits and telephone traffic. Technology investments can provide long-term solutions when responding to the need for increased services.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal funds are utilized for this program as defined in the state's approved cost allocation plan.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

The need for security at DHS facilities is becoming a challenge. The threats of bodily harm to staff and problems with thefts and vandalism strain staff morale. The provision of a safe and

efficient working environment will remain a priority for the department. In addition, the department faces the challenge of ensuring all of its local offices are user-friendly to the public including those individuals with disabilities.

Performance Data Schedule

Lease executions are reported monthly to the Assistant Commissioner responsible for Office Services.

Data Verification

The execution of leases is subject to standard auditing procedures and the process is coordinated by the Department of Finance and Administration.

Adult and Family Services

345.23 Temporary Cash Assistance

Temporary Cash Assistance provides cash payments to low-income families to enable them to become self-sufficient. This allotment code serves as an accounting tool to record the cash assistance payments to families.

Statutory and Constitutional Objectives

In 1996, Congress created the Temporary Assistance for Needy Families (TANF) program, which was enacted under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replacing the Aid to Families with Dependent Children (AFDC).

The objectives of the Temporary Assistance for Needy Families (TANF) (Public Law 104-193) block grant are to provide grants to states, territories, or tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

Pursuant to Tennessee Code Annotated (TCA) 71-1-105, the Department of Human Services is designated with the administration or supervision of all of the public welfare activities of the state. State eligibility requirements for this program are pursuant to TCA 71-3-154.

Mandated and Optional Services and Means of Providing Them

Qualified applicants are issued a cash benefit allotment based on household size and income. The cash assistance is time limited; families may receive cash payments for 60 months in a lifetime

and 18 months consecutively. Benefits are distributed to individuals electronically through the use of an electronic benefits card.

Performance Standards

1. Monitor the monthly participation rate of families receiving temporary cash assistance.

Performance Measures

1. Average number of families receiving monthly temporary cash assistance payments.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
70,300	73,000	74,350

Obstacles to Meeting Objectives and Delivering Services

None

Means of Overcoming Obstacles

Not Applicable

Means of Maximizing Federal and Other Non-State Sources of Revenue

States have some flexibility in regard to what expenditures can count toward state Maintenance of Effort (MOE) requirements. Identifying all financial resources that contribute to the support of TANF recipients will help the department meet its MOE requirements without the appropriation of additional state dollars.

Means of Avoiding Unnecessary Costs and Expenditures

The department has recently implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

The economy and the availability of jobs that earn a living wage will always be a challenge to the Department of Human Services to meet the needs of low-income families.

Performance Data Schedule

Quarterly expenditure reports are submitted to the HHS regional office by the last day of the month following the last day of the quarter. The TANF Annual Report is submitted to the U.S. Department of Health and Human Services by November 15th of each year. The Caseload Credit Reduction Report is due each December 31st.

Data Verification

The federal office of HHS Administration for Children and Families and the Division of Audit performs Data Reliability Audits of the annual performance reports each year based on a sample of reported data.

345.25 Food Stamp Coupons

The Food Stamp Benefits program is the cornerstone of the federal food assistance programs and provides crucial support to needy households and to those making the transition from welfare to work. The goal of the program is to eliminate hunger and reduce the incidence of food insecurity. This allotment code serves as an accounting tool to record the Food Stamp benefit payments to participants.

Statutory and Constitutional Objectives

Pursuant to the Food Stamp Act of 1977, the Mickey Leland Childhood Hunger Prevention Act, and 7 CFR 271-280, the objective of the Food Stamp program, administered by the U.S. Department of Agriculture, is to improve diets of low-income households by increasing their food purchasing ability.

The purpose of Tennessee Code Annotated (TCA) 71-5-302 is to provide for improved levels of nutrition among economically needy households through a cooperative federal-state program of food assistance to be operated in such counties of this state as may be certified by the Department of Human Services and designed by the Secretary of the United States Department of Agriculture, or its successor agency, to participate in the food stamp program in accordance with the requirements of Public Law 88-525 and any amendments thereto or any other subsequently enacted federal statutes on the same subject. The Food Stamp Benefit program is funded entirely by federal dollars from the U.S. Department of Agriculture.

Pursuant to TCA 71-5-304, the Department of Human Services is designated to supervise the administration of the food stamp or food assistance program in this state for eligible recipients. Eligibility requirements for this program are pursuant to TCA 71-5-305.

Mandated and Optional Services and Means of Providing Them

The amount of assistance to which any person, household or family shall be entitled to receive in the form of food benefits is determined by measuring the income and resources of such person,

household or family. Food Stamp benefits are distributed to individuals electronically through the use of an electronic benefits card.

Performance Standards

1. Increase the monthly participation rate of individuals receiving benefits.

Performance Measures

1. Number of individuals receiving monthly Food Stamp benefits.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
685,580 est.	745,000	762,000

(FFY 2003 target is 95% of the people in poverty based on 2001 census data)

Obstacles to Meeting Objectives and Delivering Services

The recent economic downturn has resulted in a higher number of participants in the Food Stamp benefits program. This growth will place stress on the infrastructure supporting the Food Stamp program as the same number of staff and an aging computer system must manage the increased workload.

Means of Overcoming Obstacles

To effectively manage the resources available to operate the Food Stamp Benefits program, it will be essential to effectively utilize technology to accommodate a changing caseload.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Food Stamp benefits program is funded entirely by federal dollars from the U.S. Department of Agriculture.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

The economy and the availability of jobs that earn a living wage will always be a challenge to the Department of Human Services to meet the needs of low-income families.

Performance Data Schedule

The Program Participation Rate data is calendar year based and measured against the annual U.S. Census Poverty Data reported in the Fall of the following year.

Data Verification

The U.S. Department of Agriculture and the state Division of Audit perform Data Reliability Audits of the annual performance reports each year based on a sample of reported data.

345.30 Family Assistance Services

Family Assistance provides temporary cash assistance and other support services for low-income families to enable them to become self-sufficient. The division is comprised of three programs: Families First, Food Stamp benefits, and Medicaid/TennCare coverage.

Families First is the state TANF (Temporary Assistance to Needy Families) program which distributes cash grants and provides employment, training, education, and support services for families with financial need and to dependent children deprived of support and/or care.

The Food Stamp Program provides nutritional assistance benefits for children and families, the elderly, the disabled, unemployed and working families. The program helps ensure that eligible low-income families and individuals obtain a nutritious diet. The program is the cornerstone of federal food assistance programs, and provides crucial support to needy households and to those making the transition from welfare to work. The goal of the program is to eliminate hunger and reduce food insecurity.

The Medicaid/TennCare eligibility unit determines initial and continued eligibility for the TennCare Standard and TennCare Medicaid programs as well as the Qualified Medicare Beneficiary/Special Low-Income Medicare Beneficiary (QMB/SLMB) program for low-income Medicare recipients. Clients are assisted through the department's county offices and at certain locations where DHS counselors are outstationed. Special accommodations are made for the elderly, disabled, those with limited English proficiency, or others who need assistance with the application process.

Statutory and Constitutional Objectives

The objectives of the Temporary Assistance for Needy Families (TANF) (Public Law 104-193) block grant are to provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

The Families First Act of 1996 (Public Chapter 950; TCA 71-3-1) includes four program goals: to strengthen families by establishing firm but fair expectations of parents for work, responsible parenting, and supporting their children; permit adults to marry and retain benefits while

receiving Families First; build a better workforce by requiring work, offering education and training opportunities, and providing case management for families; and reduce poverty through work requirements, carefully planned benefit packages, and transitional services.

Pursuant to the Food Stamp Act of 1977, the Mickey Leland Childhood Hunger Prevention Act, and 7 CFR 271-280, the objective of the Food Stamp program, administered by the U.S. Department of Agriculture, is to improve diets of low-income households by increasing their food purchasing ability. The purpose of TCA 71-5-302 is to provide improved levels of nutrition among needy households through a cooperative federal-state program of food assistance to be operated in counties of this state certified by the Department of Human Services and designed by the Secretary of the U.S. Department of Agriculture, or its successor agency, to participate in the food stamp program in accordance with Public Law 88-525 or any other subsequently enacted federal statutes on the same subject.

Pursuant to Title XIX of the Social Security Act and 42 CFR 430, the Medicaid program became law in 1965 as a jointly funded cooperative between the federal and state governments to assist states in providing adequate medical care to eligible persons. The department is responsible for eligibility administration of the Medicaid Program in all counties of the state. In addition, the Bureau of TennCare moved eligibility determination for TennCare Standard to the Department effective July 1, 2002. TennCare Standard operates as a Demonstration Waiver under section 1115 of the Social Security Act. The waiver is No. 11-W-00151/4. This program is also governed by TCA 71-5-1.

Mandated and Optional Services and Means of Providing Them

The mandated service in Families First (TANF) is the determination of eligibility of applicants for cash assistance, provided by state employees located in all 95 counties. When the determination indicates need, services provided through contracts include cash assistance and childcare and transportation for those persons taking part in work activities. Optional services in the Families First (TANF) program are provided through contracts and include Adult Education, Families Services Counseling, Employment Career Services, Job Training, Soft Skills Training, Fresh Start/PACE, and Support Skills. These optional services are essential in assisting Families First recipients with work requirements mandated in the program.

In Food Stamps, the mandated service is to determine the eligibility of applicants for Food Stamps, provided by state employees located in all 95 counties. Front-line staff is charged with the responsibility for processing all applications and determining eligibility for assistance. One optional service provided is Nutrition Education. Nutrition Education curricula targeting the specific needs of the Food Stamp eligible population is delivered through contractual agreements with the University of Tennessee Agricultural Extension Service and Tennessee State University Cooperative Agricultural Extension Services. Outreach Programs, also optional, are provided through contractual agreements with West Tennessee Legal Services, Legal Services of Middle Tennessee and the Cumberland's, Legal Services of East Tennessee, and MANNA, Inc. of Nashville. The Outreach contract agencies are responsible for the dissemination of information regarding the availability of Food Stamp benefits, the eligibility criteria and application process. These optional programs are not funded with state dollars.

Eligibility determination is a mandated support service to the Medicaid/TennCare program pursuant to Title XIX of the Social Security Act.

Performance Standards

1. Increase percentage of state's Families First TANF caseload engaged in activities designed to lead to self-sufficiency (Work Participation Rate).
2. Increase Food Stamp payment accuracy rate to 94.5%.
3. Increase Food Stamp application timeliness to 99%.
4. Reduce the Food Stamp negative error rate to 6%.
5. Meet a target of 95% for the eligibility determination rate for TennCare.

Performance Measures

1. Families First's Work Participation Rate (WPR).

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
45%	50%	50%

2. Food Stamps payment accuracy rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
93.46% est.	94.5%	94.5%

3. Food Stamps applications processed timely.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
90.43% est.	91%	99%

4. Food Stamps negative error rate.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
8.24% est.	6.5%	6%

5. Medicaid/TennCare Eligibility Determination accuracy rate*

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	Not Available	95%

* A Quality Control Error rate will be established for FY2003-2004. A target has been established of 95% for FY 2004-2005.

Obstacles to Meeting Objectives and Delivering Services

The rising TANF caseload has created an obstacle to meeting the Work Participation Rate, as fewer support services must be spread across more participants. Congress' failure to pass TANF reauthorization in a timely manner has limited the department's ability to chart the future of the Families First program. Reauthorization will determine if Tennessee will be permitted to retain the waiver that gives Families First a level of flexibility not afforded other states. Loss of this waiver will cause Tennessee to lose flexibility in meeting its Work Participation Rate. In addition, the new legislation will dictate funding levels, performance benchmarks, and grant

opportunities for the next five years. Current caseloads in all Family Assistance programs require employees to spend more time doing eligibility determination instead of working with current participants to provide them with the options and resources necessary to achieve work and self-sufficiency. The efforts of the employees are hampered by the ACCENT computer system which fails to meet the requirements of the Family Assistance programs.

DHS assumed the responsibility of performing TennCare Standard eligibility determinations beginning July 1, 2002. There was a large, rapid growth in all Family Assistance applications in FY 2003 partly due to the activity associated with eligibility determination for TennCare Standard. Training new staff is a complicated process that lasts for months. This learning curve caused an extra workload on existing staff. The lack of an integrated and seamless interface between TennCare Bureau computer systems and the DHS ACCENT system is a burden to the department meeting its performance objectives. The addition of TennCare responsibilities to the department has increased the need for security at DHS offices. Threats of bodily harm from the public have increased dramatically over the last year.

Recurring obstacles among each of these programs continues to be the need for better training for staff, the need to update the current ACCENT computer system, and the general working environment for staff.

Means of Overcoming Obstacles

The department will be exploring alternatives to the current method for delivering training to Family Assistance staff. To help staff better manage their caseloads, simplifying procedures and coordinating policies across all Family Assistance programs will be emphasized. Improved communication between the state office and the field should translate into program improvement as policies are carried out more evenly across counties and districts. To effectively manage the Family Assistance programs, it is essential that data collected on the progress of participants is accurate and accessible.

The department will review and evaluate the Family Assistance computer system, ACCENT, and its related internal and external applications. This review will result in the development of an RFP for a vendor to implement a computer system designed to address the needs of Family Assistance and related programs. The provision of a safe and efficient working environment will remain a priority for the department with special focus being given to the area of security of staff and property.

Means of Maximizing Federal and Other Non-State Sources of Revenue

To ensure that states continue to contribute their own money towards meeting the needs of low-income families, TANF federal regulations require the department to maintain a $82,809,878 level of non-federal spending on the TANF program. The Maintenance of Effort (MOE) requirement is based on the state share of FY 1994 expenditures for the AFDC, Emergency Assistance, AFDC child care, transitional child care, At-Risk child care and JOBS programs. The regulations also state that if the department meets the minimum Work Participation Rate requirements, then the basic MOE can be at 75% of the same expenditure amount referred to above. If the state does not spend non-federal dollars in the appropriate amounts or fails to meet the Work Participation Rate requirements, there will be a reduction in the TANF federal grant for the next year. States have a degree of flexibility in regard to what expenditures can count toward

state Maintenance of Effort requirements. The identification of expenditures in other departments may permit the department to increase the MOE to 80%, which would permit the state greater flexibility in meeting the Work Participation Rate.

All indications are that new TANF legislation will make grants available to states to set up programs designed to encourage family formation and promote marriage while recognizing the problem of domestic violence. The Department of Human Services will pursue these additional grant opportunities.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

By increasing the focus on payment accuracy in the Food Stamp program, the possibility of federal sanctions is reduced and the program may qualify for a performance bonus.

Future Challenges and Opportunities

Implementation of the Families First program took place during an economic upswing. Participants who were job-ready were able to find employment quickly, and this is reflected in the precipitous caseload decline that occurred between 1995 and 2000. Since then, the state unemployment rate has increased, and Tennessee has lost manufacturing jobs, which historically have paid living wages that allow workers to raise their families without relying on public assistance. The economic downturn has been accompanied by a spike in the Families First caseload, an increase of about 25% since the program reached its low in 2000.

With the introduction of the block grant funding structure in 1996, states no longer receive increases in federal money when caseloads rise, but must operate public assistance programs at a predetermined funding level. An increase in cash assistance expenditures must translate into a decrease in other program budget items such as the services available to participants, or an increase in state spending.

Performance Data Schedule

The TANF Annual Report is submitted to the U.S. Department of Health and Human Services (US DHHS) by November 15th of each year. The Caseload Credit Reduction Report (which may be obsolete following TANF reauthorization) is due December 31st. Data extracts used by US DHHS to calculate the Work Participation Rate are submitted quarterly.

The Food Stamp Program performance data schedule is set by federal regulation. The performance measures for Payment Accuracy, Application Timeliness, and Negative Error Rate are gathered and reported through the Quality Control Process. This performance schedule follows the Federal Fiscal Year (October through September). The Program Participation Rate data is based on the calendar year and is measured against the annual U.S. Census Poverty Data reported in the spring of the following year.

Quality Control reports annually to the Center for Medicaid and Medicare Services (CMS). Information is sent in January of each year for the prior federal fiscal year.

Data Verification

The U.S. Department of Health and Human Services releases an annual report that presents statistical information on all 50 states and the District of Columbia. DHS makes periodic requests of HHS to provide interim calculations made by federal officials so they may be compared to the in-house estimates made by DHS systems.

In Food Stamps, reported performance measurements are subject to validation by USDA through the Federal Quality Control Process.

State Audit conducts an annual TennCare audit, which includes a Medicaid eligibility component. A sample of cases is selected to review for correct eligibility determination. Quality Control documents correct and incorrect case actions for the identified population.

345.49 Community Services

Community Services provides a range of social services to eligible children, adults and families with major social problems resulting from lack of education, disability, advancing age, or the inability to provide self-care. This section provides these services through contracts with public and private agencies to supplement the direct services provided by the department. To the extent possible, services are locally determined and responsive to community needs, while meeting the strategic needs of the department. Purchased services assist adults and families to achieve or maintain self-sufficiency, prevent abuse and neglect, or prevent or reduce the need for institutional care. Services range from emergency assistance to job training, self-sufficiency programs, and adult protection, to the regulation of childcare. The services have a major impact on poverty and effectively serve as a key component of Tennessee's network of safety net services, reaching all 95 counties.

Statutory and Constitutional Objectives

The Adult Protective Services program is mandated by Tennessee Code Annotated (TCA) 71-6-101 through 120 to protect vulnerable adults from abuse, neglect or exploitation by requiring reporting of suspected cases by any person having cause to believe that cases exist. It is intended that the reports will prevent further abuse, neglect or exploitation. Penalties are included for those who fail to report and for identified perpetrators. It is the only statewide service in Tennessee mandated to intervene when adults with mental and/or physical impairments are in danger because they are unable to provide for their own needs, or protect themselves from their caregivers.

TCA 71-3-501 through 531 directs the Child Care Services program to protect children in out-of-home residential care settings. Within this program, childcare agencies are licensed and regulated child and care policy is developed to improve the quality of childcare. Financial assistance for

childcare is provided to Families First recipients and low-income working parents (pursuant to 45 CFR Part 98).

The Child and Adult Nutrition Programs are funded by the U.S. Department of Agriculture and administered in compliance with Section 13 of the National School Lunch Act (as amended) and the regulations found at 7 CFR Part 226 and 7 CFR Part 225. The programs include the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP). The objectives of the CACFP are to initiate and maintain nonprofit food service programs for children, elderly or impaired adults in nonresidential day care facilities and children in emergency shelters. The SFSP objective is to conduct nonprofit food service programs for low-income children during the summer months and at other approved times, when schools are out of session or are closed for vacation. Eligible facilities that may participate in the CACFP include childcare centers, outside-school-hours care centers, family and group homes, emergency shelters and after-school programs for at-risk children. Eligible facilities that may participate in the SFSP include public parks, recreation centers, schools, churches, playgrounds, residential camps and public housing complexes.

The objectives of the Community Services Block Grant program (funded under CFR Title 45, Part 96) are to provide assistance for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient. Community Service Grant Programs are administered according to the requirements and mandates of the federal legislation creating each individual program or service. The department utilizes established statewide community partners to provide the mandated services.

The Emergency Shelter Grants Program is funded by the Department of Housing and Urban Development (HUD) and is administered in compliance with the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (Public Law 100-628), the Department of Housing and Urban Development's Final Rule (24 CFR, Part 476), and the Cranston-Gonzalez National Affordable Housing Act (Section 832). The objectives of the program are to improve the quality of emergency shelters and transitional housing for the homeless, to make available additional shelters, to meet the cost of operating shelters, to provide essential social services to homeless individuals, and to prevent homelessness.

The Homemaker program is funded by the Social Services Block Grant (Social Security Act, Title XX, as amended). The objective is to enable each state to furnish social services best suited to the needs of the individuals residing in the state. The funds may be used to provide services directed toward one of the following five goals specified in the law: (1) to prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

The objective of the LIHEAP program is to assist eligible households to meet the costs of home energy, both for heating and cooling. The program is funded by the Low Income Home Energy Assistance Act of 1981 (Title XXVI of the Omnibus Budget Reconciliation Act of 1981, Public Law 96-35), as amended.

The Refugee Resettlement program seeks to improve resettlement services for refugees, pursuant to the Refugee Act of 1980, Public Law (PL) 96-212. Program objectives include: (1) providing adequate health assessment activities for refugees; (2) decreasing the numbers of refugees on

public assistance and the length of time refugees require such assistance; (3) promoting refugee community and family stability; and (4) encouraging placement of refugee families in locations with good job opportunities and lower costs of living.

Pursuant to Title III of the Energy Conservation and Production Act (PL 94-385), as amended, the objective of the Weatherization Assistance Program (WAP) is to insulate the dwellings of low-income persons, particularly the elderly, persons with disabilities, families with children, high residential energy users, and households with a high energy burden, in order to conserve needed energy and to aid those persons least able to afford higher utility costs.

Mandated and Optional Services and Means of Providing Them

The mandated services of the Adult Protective Services (APS) program include receiving reports of abuse, neglect and financial exploitation; notifying the appropriate law enforcement agency in all cases in which the report involves abuse, neglect or exploitation of the adult by another person or persons; notifying the appropriate licensing authority when the adult is a resident of a residential facility; initiating an investigation of the complaint; providing a written report of the initial findings and a recommendation for further action; notifying the complainant of the department's determination after the completion of the investigation; and providing protective services when such services are necessary.

APS may use legal interventions available under the Adult Protection Act which include consent to medical or non-medical placement; consent to medical care; consent to surgery; consent to provide services; search warrant; injunction to prevent contact with victim or from being a caregiver for any vulnerable person; order for examination (physical and/or mental) to determine client needs; and temporary guardianship with emergency order.

Child Care's mandated services include subsidized child care for Families First recipients, the Child Care Evaluation and Report Card System, background checks for child care employees, and child care agency financial disclosure. The program is responsible for ensuring that childcare quality initiatives are undertaken to meet mandates associated with federal earmarked funds. The optional services include subsidized childcare for the working poor based upon income and the provision of childcare transportation services.

The Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP) are federal entitlement programs. All eligible institutions and sponsors that submit a complete application for participation must be approved for participation.

Performance Standards

1. Increase the percentage of Child Care complaints investigated and resolved within 30 days to 95%.
2. Increase the percentage of vulnerable adults with reduced risk to 80%.
3. Increase the number of participants receiving nutritious meals: CACFP, SFSP.
4. Provide Community Service Block Grant services to low-income individuals.
5. Provide services to individuals through the Homemaker program.

Performance Measures

1. Percentage of childcare complaints investigated and resolved within 30 days.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
93% est.	95%	95%

2. Percentage of valid APS cases with risk reduced.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
78% est.	79%	80%

3.a. Number of Child and Adult Care Food Program meals served.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
33,562,800	34,569,600	35,606,700

b. Number of meals served in the Summer Food Service Program.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
3,219,300	3,315,800	3,415,300

4. Number of low-income individuals served with CSBG services.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
128,000 est.	127,000*	125,000*

*Based on a projected decline in federal funding

5. Homemaker: Number of individuals served.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
5,000 est.	4,800*	4,800*

*Based on projected federal funding levels and increased cost of service

Obstacles to Meeting Objectives and Delivering Services

For the Adult Protective Services program, the obstacles are numerous. The geographic distances that staff must travel investigating potential abuse does not permit an optimum response time. Staff currently utilize a modified legacy batch computer system which is less than ideal when access to real-time case information is often critical when responding to life threatening situations. The decreased services available from other agencies places clients with mental illness, mental retardation and/or chronic diseases requiring ongoing treatment at continued risk. In addition, the difficulty in maintaining a trained staff with a manageable workload has a negative impact on the program's ability to meet its performance objective of increased client safety.

In the Child Care program, limited training resources hampers the department's ability to keep licensing staff up-to-date with current rule interpretations, law changes, changes to rules and regulations, and current child care research and practices. Also, cumbersome computer systems decrease the time available for on-site regulatory activities due to the increase in time required to

document such regulatory activities. The limited processing power and data retention capabilities of the current computer hardware supporting childcare applications is not sufficient. On-line and batch processing times have steadily increased and additional demographic and financial information are stressing the storage capabilities. A major obstacle to providing mandated childcare is the limited federal block grant funds. These funds are not sufficient to provide for the mandated childcare required during downturns in the economy.

Federal funding of the Child and Adult Nutrition Programs for state administrative costs is determined by a formula that does not use the most recent program data. The formula uses the total meal reimbursements paid by a state agency during the second fiscal year preceding the fiscal year for which the administrative funds are allocated. Since these programs have experienced substantial growth during the last several years, sufficient administrative funding has not been available.

Means of Overcoming Obstacles

An automated case file in the Adult Protective Services program will ensure case information is accessible when needed to make emergency decisions, consult on difficult situations, and supervise/manage casework at great distances. Automation of the Adult Protective Services program will be that counselors will spend less time on record-keeping and more time actually reducing the risk to the client. The ability to give priority to APS clients on waiting lists for other service slots would also increase the percentage of clients with reduced risk.

The department will pursue the utilization of mutually-beneficial partnerships allowing greater access to outsourced and web-based training opportunities for its child care licensing staff. Technology staff will perform an analysis of childcare systems needs and develop solutions to current hardware shortfalls. The department will redirect resources to provide for mandated services and seek additional resources where the redirection proves to be insufficient.

In Child and Adult Nutrition Programs, the department recently revised the Risk Policy limiting the number of Finance and Administration monitoring reviews of participating agencies to the monitoring schedule contained in the federal regulations.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Adult Protective Services program is now funded with 100% federal funds. The department will provide input into potential federal funding for Adult Protective Services through the proposed Elder Justice Act.

The Child Care Program is funded by Child Care Development Fund (CCDF), TANF, State Maintenance of Effort (MOE) and Match, and the Social Services Block Grant (SSBG). The CCDF funding includes specific earmarks and quality set-aside mandates. The MOE requirement to draw the basic CCDF dollars is $18,975,800, and the state dollar requirement for additional matching funds is $16,400,800. The department utilizes non-federal funds from other state agencies to help in meeting the MOE and match requirements.

The Child and Adult Nutrition Programs are 100% federally funded.

The Community Service Grant Programs are 100% federally funded.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

Additional challenges in the Adult Protective Services program include meeting the Health Insurance Portability and Accountability Act (HIPAA) requirements and dealing with the growth in the number of referrals as Tennessee's elderly population increases.

A major challenge for the Child Care Program is the inability to set and maintain reimbursement rates for childcare that are approximately 70% of the market rate. The current rate has dropped to approximately 50% of the market rate. This type of disparity places pressure on Child Care to reduce quality for children in subsidized care. An additional challenge will be the development of a statewide initiative to increase childcare availability by encouraging faith-based agencies to sponsor assistance programs for low-income working families. The state is working in collaboration with the Child Care Resource & Referral Centers to secure additional funding for quality child care initiatives on the local level. One method is to build a coalition on the local level of community organizations, faith-based organizations, foundations, etc. to support expansion and quality of child care agencies as well as child care provider staff. Collaboration with other state departments such as the Department of Education and the Department of Health will be necessary to implement "No Child Left Behind," "Health Child Care America," and "Good Start, Grow Smart" initiatives.

Effective July 1, 2003, the department will use the alternative approval procedures for childcare homes serving fewer than five children in the Child and Adult Care Food Program (CACFP). The alternative approval procedures may only be used for those home providers who are not regulated by the department. The procedures are contained in the federal regulation at 7 CFR Part 226.6(d)(3), and include the child care standards which must be met by unregulated home providers for CACFP participation. The use of these procedures may substantially increase the number of children served by the program and present an additional challenge to the application review process conducted by state staff. There are currently 540 institutional contracts in the CACFP, and 49 sponsor contracts in the Summer Food Service Program (SFSP).

Community Service Grant Program services are dependent on Congressional funding and program priorities in three federal agencies. Changing federal priorities may have mixed results on Tennessee's allocation of federal funds.

Performance Data Schedule

In the APS program, data is compiled annually at the state level with quarterly specialized reports generated to assist in management toward improved performance.

In Child Care, evaluative performance data for the Child Care Certificate Program is gathered quarterly for all components. The program reports annually (ACF-800) to the U.S. Department of Health and Human services with the aggregate unduplicated totals of families and children served by funding type and by type of provider arrangement. The program reports the monthly (ACF-901) unduplicated disaggregate data on individual family and child demographic information to HHS. Other areas of Child Care provide a yearly report to the Legislature detailing progress on the Child Care Evaluation and Report Card Program.

Information from the Child and Adult Nutrition Programs is captured from the reimbursement claims for institutions and sponsors and is reported monthly and quarterly to the U.S. Department of Agriculture.

Each of the six Community Service Grant Program areas have separate federal reporting requirements as follows: CSBG – annually; ESGP – monthly and annually; Homemaker (SSBG) – annually; LIHEAP – quarterly and annually; WAP – quarterly and annually; Refugees – quarterly and annually.

Data Verification

APS uses standard auditing procedures in its internal data verification process.

In the Child Care Certificate Program, performance verification data are gathered by an independent contractor, the University of Memphis, Bureau of Business and Economic Research, Center for Manpower Studies. The Center uses appropriate statistical methods to obtain accepted levels of data reliability for its reviews.

In the Child and Adult Nutrition Programs, annual financial evaluations are conducted by the U.S. Department of Agriculture to verify the program data utilized for the draw down of federal funds. When deficiencies are found, federal personnel provide for adjustments to the fund received and require the completion of corrective actions.

Data verification occurs during the federal monitoring of Community Service Grant Programs and the approval of required federal program reports.

345.50 Child Care Facilities Loan Program

The Tennessee Child Care Facilities Loan Program provides loan guarantees, direct loans and corporate/community partnership grants to businesses and individuals to provide child care services and provides advisory services, technical assistance and business training to improve skills and organizational capacity.

Statutory and Constitutional Objectives

The Tennessee Child Care Facilities Corporation was established, pursuant to Tennessee Code Annotated (TCA) 4-37-101, with the objective of increasing child care spaces, promoting economic opportunities and creating jobs.

Mandated and Optional Services and Means of Providing Them

As defined in TCA 4-37-104, the Tennessee Child Care Facilities Corporation is directed to assist in the start-up, expansion, improvement or continued operation of child care facilities.

This is accomplished through the guaranteeing of loans from the private sector; through direct issuance of loans at a rate of interest determined by the board; and, in cases of local education agencies and local government, through issuance of grants.

Performance Standards

1. Increase the number of childcare providers receiving small business training.

Performance Measures

1. Number of providers completing training.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,800	1,980	2,000

Obstacles to Meeting Objectives and Delivering Services

There are currently insufficient funds to provide additional loans and maintain sufficient reserves to guarantee the outstanding loans.

Means of Overcoming Obstacles

Additional funding would be required to offer additional loans or loan guarantees.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Not Identified

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

The future challenges will be to assist childcare providers to meet licensing standards and regulations and offer assistance to agencies desiring to increase their level of performance under the Star Quality Program.

Performance Data Schedule

Status reports are presented at scheduled board meetings.

Data Verification

The Division of Audit performs Data Reliability Audits of the annual performance reports each year based on a sample of reported data.

Child Support

345.13 Child Support

The Child Support Enforcement (CSE) program is a federal, state, and local partnership to collect child support. Program goals include ensuring that children have the financial support of both parents, fostering responsible behavior towards children, and reducing welfare costs. Tennessee's Child Support Program is administered by the Department of Human Services through contracts with district attorneys, private vendors, local governments and program staff. The division collects and distributes child support payments.

Statutory and Constitutional Objectives

In 1950, Congress passed the first federal child support legislation in an effort to recoup welfare expenditures for the increasing number of children receiving public assistance. The law required state welfare agencies to monitor appropriate law enforcement officials upon providing Aid to Families with Dependent Children (AFDC) with respect to a child who has been abandoned or deserted by a parent.

In 1975, Congress amended the Social Security Act, Title IV, Part D (Title IV-D) to provide greater assistance to the states in establishing paternity and enforcing child support orders. The law created the Child Support Enforcement program under the Secretary of Health, Education and Welfare to oversee child support enforcement operations at the state level. Today, child support services at the state level are monitored by the U. S. Department of Health and Human Services, Office of Child Support Enforcement.

Under the Title IV-D program, states must provide support enforcement services to: (1) all applicants for, or recipients of TANF, Foster Care Maintenance Payments, and Medicaid, for whom an assignment to the State of support rights has been made and who are in need of such services; (2) all individuals who cease to receive TANF; (3) individuals who provide authorization to the IV-D agency to continue support enforcement services; and (4) any other individual who is in need of such services and who has applied to them.

Tennessee Code Annotated (TCA) 36-5-116(a)(1) designates the Department of Human Services as "the central collection and disbursement unit for the state as required by 42 U.S.C.§654b. All orders in Title IV-D support cases, and all orders for income assignments which have directed support to be paid to the clerk of any court, and which are subject to the provisions of 42 U.S.C.§654b, shall be deemed to require that the support be sent to the central collection and disbursement unit, any order of the court notwithstanding."

Mandated and Optional Services and Means of Providing Them

Services mandated by Title IV-D of the Social Security Act include locating absent parents; establishing paternity; establishing a support order, including medical support; enforcing a support order; and periodic review and adjustment of support orders. The department utilizes contracts with district attorneys, private vendors, local governments and program staff to provide these services.

TCA 36-5-1 (as well as by federal regulations) mandates several possible notices to the custodial parent or other caretaker of the child who receives child support from the central collections and disbursement unit. The recipients of monthly notices shall include (A) current Families First recipients; (B) former Families First recipients, to include former Aid to Families with Dependent Children (AFDC) recipients; (C) any other persons who are recipients of Title IV-D child support services from the department; and (D) any other persons who receive payments from the central collections and disbursement unit. These notices are generated by the Tennessee Child Support Enforcement System (TCSES) and are mailed to the appropriate recipient(s).

Title IV-D of the Social Security Act and TCA 36-5-118 both mandate that the department must establish, advertise, and maintain a customer service unit and a statewide toll-free telephone line for the express purpose of receiving and responding to citizen inquiries and complaints concerning child support collections and disbursements. An integrated voice response system is the mechanism utilized to carry out these mandates. Using a toll-free number with automated response options, the caller has the choice to speak with a "live" operator who is a contracted provider for this service.

Performance Standards

1. Increase the percentage of child support cases with court orders.
2. Increase the percentage of current support collected.

Performance Measures

1. Percentage of cases with child support court orders.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
58% est.	60%	62%

2. Percentage of current support collected.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
52% est.	54%	56%

Obstacles to Meeting Objectives and Delivering Services

The Child Support Enforcement program must deliver an increasingly complex level of service utilizing an antiquated infrastructure. Staff are handicapped in maintaining a consistent level of service due to limited training to respond to federal and state law changes and changes that are the result of court action. The lack of an efficient interface among various computer systems within the state places pressure on the program to meet its objectives. Current staffing resources are not available to establish a ratio of cases per worker that would enhance the program's ability to meet its performance measures. The ability of staff to respond to the requirements of an increasing complex program is further compromised by decreasing funding streams.

Means of Overcoming Obstacles

The department plans to increase its reliance on technology to improve productivity and quality performance. Future computer systems will be designed to support needs across related programs and the interface will be more transparent to the end user. The department will pursue training opportunities for staff to increase their skill level and an analysis will be undertaken to determine the optimum staffing to caseload ratios necessary to meet or exceed its performance measures.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Federal incentive dollars are earned by states based on the identified stringent performance standards in competition with all other states. The department will ensure that the required training for all new child support enforcement employees emphasizes the importance of meeting these performance standards. The department will share the required performance standards with the State Audit staff to seek their assistance in meeting these requirements as part of their normal auditing function.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

A future challenge will be to obtain and utilize state of the art technology to improve productivity and performance. This will provide many opportunities as the department trains state staff to assume the responsibility for its computer system for child support which is currently provided through a contract.

Performance Data Schedule

The program currently monitors performance based on performance data generated monthly and annually. Annual performance reports are provided to the federal office of Child Support Enforcement. Subsequently, that data is merged with data from all states, and resulting reports are issued.

Data Verification

The federal office of Child Support Enforcement, Division of Audit, performs Data Reliability Audits of the annual performance reports each year based on a sample of reported data. OCSE auditors test data that will be used to compute the performance indicators and determine whether these data reconcile to documented information in the state's system. Testing includes analyzing the audit trail for each performance indicator to determine whether these data correspond to events that actually occurred.

Rehabilitation Services

345.70 Vocational Rehabilitation

By Executive Order 43 signed February 11, 1983, the Tennessee Department of Human Services was designated as the agency to administer the Vocational Rehabilitation Program and Blind Services. The division seeks to alleviate barriers and provide quality services to improve the conditions of persons with disabilities. Its primary goal is to place disabled individuals into employment.

Statutory and Constitutional Objectives

Pursuant to the Rehabilitation Act of 1973, as amended (Title I, Parts A and B, Sections 100-111; 29 U.S.C. 720-724 and 730-731), the objective is to assist states in operating comprehensive, coordinated, effective, efficient, and accountable programs of vocational rehabilitation; to assess, plan, develop, and provide vocational rehabilitation services to eligible individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, and capabilities, interests and informed choice so they may prepare for and engage in competitive employment.

Under Title VII, Chapter 1, Part C, 29 U.S.C. 796f - 796f-6, another objective is to provide independent living services to individuals with significant disabilities to assist them to function more independently in family and community setting, by developing and supporting a statewide network of centers for independent living.

Tennessee Code Annotated (TCA) 49-11-605 requires the state to cooperate, pursuant to agreements with the federal government, in carrying out the purposes of any federal statutes pertaining to vocational rehabilitation. The state is authorized to adopt such methods of

administration as found by the federal government necessary for the proper and efficient operation of the vocational rehabilitation program. Additionally, the state must comply with conditions necessary to secure the full benefits of federal statutes.

TCA 71-4-203 authorizes a division of services for the blind to develop measures for the prevention of blindness, the restoration of sight, and the vocational adjustment of blind persons. This includes employment in regular industries, independent business, workshops for the blind, or home industries, rehabilitation training and the instruction of adult blind in their homes.

In accordance with Chapter 6A of Title 20, Public Law 93-516 U.S. Code, and 34 CFR Part 395, TCA 71-4-5 grants blind individuals priority in the establishment and operation of vending facilities on public property in Tennessee and empowers the department to comply with any requirement that may be imposed by federal law or regulation.

TCA 49-11-8 directs the Tennessee Rehabilitation Centers to provide rehabilitation services including, but not limited to, physical and occupational therapy; vocational evaluation; personal and social evaluation; personal adjustment training and work conditioning; evaluation and testing; counseling and guidance, and vocational training. The legal basis for the community TRC program is TCA 49-11-601 through 614 and TCA 49-11-701 through 709.

Mandated and Optional Services and Means of Providing Them

The Vocational Rehabilitation Program is required to provide the full range of services listed in Section 103(a) of the Rehabilitation Act and subsection 5.1 of its State Plan to all eligible individuals with disabilities who apply for services. Vocational Rehabilitation services are any services described in an individual plan for employment necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual.

The program provides direct supervision and technical consultation to the division's field staff throughout the state. Field Service Counselors in this program accept and process applications, determine eligibility, and coordinate vocational rehabilitation services for individuals with disabilities. Program services provided include Supported Employment and Independent Living Services.

The Services for the Blind and Visually Impaired Administration program provides support to the blind and visually impaired and provides leadership in statewide programs. The Rehabilitation Teaching program provides services to individuals to enable them to function as independently as possible in their local communities. The department also administers the Vending Facility Program for blind vendors.

The Tennessee Rehabilitation Centers (TRCs), a group of 18 centers working as a network, deliver services to individuals with severe disabilities in secure and positive environments where effective rehabilitation can take place. Services at the TRCs enable those individuals to become self-sufficient, employable, or able to live independently with dignity in order to reduce dependency on government and family resources. The centers provide comprehensive vocational evaluation and planning, work adjustment training, occupational skill training, transitional living skills training, vision impairment services training, traumatic brain injury program services,

physical rehabilitation services, as well as follow-up through the rehabilitation services counselor network.

Performance Standards

1. Increase percentage of all individuals who exit the VR program after receiving services who achieve employment outcomes.
2. Increase percentage of individuals who exit the VR program in competitive, self-, or Business Enterprise Program (BEP) employment with hourly earnings equivalent to at least the minimum wage.

Performance Measures

1. Percentage of individuals who exit VR program after receiving services who achieve employment outcomes.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
60.6% est.	63.23%	65.22%

2. Of all individuals achieving employment outcomes, the percentage whose earnings are equivalent to at least the minimum wage.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
89.1% est.	88.37%	90.0%

Obstacles to Meeting Objectives and Delivering Services

Increasing demands for services and increased costs for services (e.g., tuition rates) continue to outpace available funds and resources. With limited funds and resources, the department has not been able to provide services to all eligible individuals who have applied since August 200l. Therefore, an Order of Selection mandated by the Rehabilitation Act of 1973, as amended, was implemented. The Order of Selection serves as a means for determining which eligible individuals will be served first. Individuals with the most significant disabilities are selected for vocational rehabilitation services before other individuals with disabilities. Continued increases in tuition costs could cause the state to move to an even more restrictive order of selection. Currently, there are approximately 7,600 persons on the waiting list.

Means of Overcoming Obstacles

The department will continue to pursue state appropriated funding at the level required to match the state's federal allotment under the Basic Support Program (Title 1 Program). The department will also aggressively pursue other sources of match revenue to secure Tennessee's full federal allotment.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Basic Support program in Vocational Rehabilitation is supported by a funding match rate of 78.7% federal and 21.3% state. In addition to the state match, the program also has a Maintenance of Effort (MOE) amount of $15,035,454. The department relies on third party resources to meet this MOE requirement.

One means of increasing program income for state VR programs is through serving and achieving successful employment outcomes for Social Security disability beneficiaries (SSI and SSDI recipients). The state agency is able to recoup a portion of the costs for serving Social Security disability beneficiaries (SSI and SSDI recipients) that achieve and retain gainful employment for a minimum of nine months. By helping the recipients become gainfully employed, they are no longer covered under SSI or SSDI. By recouping the portion of costs incurred, the department is able to serve more people in need of the VR services.

Means of Avoiding Unnecessary Costs and Expenditures

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

Future Challenges and Opportunities

A challenge facing VR in the upcoming year is the implementation of a new computer system. An additional challenge will be the work environment for the VR staff. Due to the Order of Selection caused by a lack of funding, the staff is prevented from providing services to all eligible individuals. This situation has a negative impact on morale.

Performance Data Schedule

Quarterly and annually reporting of VR data are based on the Federal Fiscal Year (October 1 – September 30).

Data Verification

The VR program has an internal program evaluation and quality assurance unit to constantly monitor and evaluate service records of program participants to ensure conformity with applicable federal program requirements and for the benefit of improving services for individuals with disabilities.

345.71 Disability Determination

In accordance with the Social Security Act and related laws and regulations, the Disability Determination Services Division (DDS), in partnership with the Social Security Administration

(SSA), ascertains whether an individual is qualified for disability insurance benefits or supplemental security income benefits from the Social Security Administration. The DDS/SSA relationship is codified in 404.1601-1694 of 20 Code of Federal Regulations, Chapter III and is supported by 100% federal funds from the Social Security Administration.

Since 1991, monthly disability payments have grown from $85.4 million to $192.7 million in 2000.

Statutory and Constitutional Objectives

The Social Security Amendments of 1954 initiated a disability insurance program that provided the public with additional coverage against economic insecurity. At first, there was a disability freeze of workers' Social Security records during years when they were unable to work. While this measure offered no cash benefits, it did prevent such periods of disability from reducing or wiping out retirement and survivor benefits. On August 1, 1956, the Social Security Act was amended to provide benefits to disabled workers aged 50-65 and disabled adult children. Over the next two years, Congress broadened the scope of the program, permitting disabled workers under age 50 and their dependents to qualify for benefits, and eventually disabled workers at any age could qualify.

Under the Social Security Act of 1935, Title II, as amended, the objective is to replace part of the earnings lost because of a physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working.

Under Title XVI of the Act, Social Security Administration administers the Supplemental Security Income (SSI) program which pays monthly benefits to people with limited income and resources, who are age 65 or older, blind or disabled. Blind or disabled children, as well as adults, can get SSI. The medical standards for adjudicating disability are the same in both Title II and Title XVI claims.

Mandated and Optional Services and Means of Providing Them

The DDS/SSA relationship codified in 404.1601-1694 of 20 Code of Federal Regulations (CFR), Chapter III mandates the eligibility responsibilities of DDS. Pursuant to Public Law 96-265 and Section 39563.200 of the DDS Fiscal and Administrative Manual, states are to establish and maintain adequate and responsive internal management controls and reporting mechanisms to support the eligibility determination process. States must provide and utilize controls to assure that disability determinations are made accurately and promptly. The state’s responsibilities include furnishing reports and records relating to the administration of the disability program for budget submittals, and cooperating in the conduct of audits.

As an optional service, non-SSA determinations may be provided for various agencies within the state, primarily involving various categories of nonpayment Medicaid-only cases. DDS must ensure that the processing on such non-SSA work does not interfere with the prompt and effective completion of the Social Security workload.

Performance Standards

1. Handle Social Security Administration (SSA) claims in a timely manner.
2. Provide accurate SSA services, based on randomly selected case reviews.

Performance Measures

1. Average days required to process claims (within 104 days is SSA maximum).

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
98	104	90

2. Quality assurance based on performance reviews of determination accuracy.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
95.1%	95%	97%

Obstacles to Meeting Objectives and Delivering Services

The greatest obstacle to DDS meeting its processing time objectives is its inability to respond to a growth in caseload. Recent years have seen dramatic increases in caseload. From FY 1998 through FY 2002, DDS experienced a 14.21% growth in the number of cases while the staff to process the increased applications has remained static. This caseload growth has resulted in the number of days required for processing to increase from 57 days in FY 1998 to the current 98 days. The caseload growth issue is compounded as DDS struggles with the problems associated with staff turnover. The national average attrition rate for DDS employees is 9.9% while Tennessee is averaging 14.5%. Because there is a steep learning curve for new employees, turnover of this magnitude has a negative impact on processing time and quality assurance.

Means of Overcoming Obstacles

In order to address the difficulties of meeting performance goals while experiencing increasing caseloads, DDS must take advantage of technology, offer employees opportunities to enhance their skills through additional training, and improve the overall efficiency of the office environment. Each of these efforts will have a positive impact on employee morale helping to combat the high turnover among trained examiners. The SSA has plans to enhance technology and provide staff training to implement the “single decision-maker” process, a procedure backed by rules and regulations of the SSA by which claims examiners are allowed to make total determinations without medical doctor input on certain cases, specifically for adults with physical impairments. The efficiency of the office environment could be addressed by permitting the number of approved positions in DDS to fluctuate to meet the performance goals associated with processing time. The flexibility to add staff after an analysis of caseload growth would greatly enhance the program’s ability to meet performance goals. This change would not require the appropriation of additional state dollars but only the recognition of additional federal revenue.

Means of Maximizing Federal and Other Non-State Sources of Revenue

Beneficiaries in Tennessee received $192.7 million in payments each month in 2000. These payments are a result of these individuals meeting the requirements for eligibility as determined by DDS examiners and/or administrative law judges acting under the auspices of SSA. The shorter the time frame required to determine eligibility for qualified applicants will directly correlate into revenue in the Tennessee economy. It is imperative that DDS have all the resources made available through the Social Security Administration to quickly determine eligibility for applicants. Each day that can be trimmed from the processing time will result in benefits reaching Tennesseans sooner.

Means of Avoiding Unnecessary Costs and Expenditures

Because of the training cost to bring a new employee up to a productive level, the issues associated with turnover need to be addressed. It is hoped the two proposals mentioned previously will improve employee morale and have a positive impact on turnover.

The department has implemented an electronic budget monitoring process. This process provides expenditure information to program staff on a monthly basis. The level of detail is flexible at the request of the individual manager.

In addition to the state budget monitoring process, DDS routinely reports its obligations to SSA on a monthly, quarterly, and an annual basis. SSA uses this information to monitor expenditures by DDS and to calculate the cost per case.

Future Challenges and Opportunities

The Social Security Administration (SSA) will be implementing electronic processing during calendar year 2004. Plans are for the process to become paperless. Electronic processing will provide the opportunity for the adjudication process to move more quickly, reducing postage and the costs to store documents.

SSA has plans to allow examiners to process more claims without input from the in-house medical consultants, by using a “single decision-maker” processing model. This could reduce the processing time and will increase the technical skills required of each examiner. This additional training opportunity will enhance the skills of all examiners. By using the single decision-maker process, examiners/adjudicators will have more authority in processing and will be able to move cases quicker.

DDS will be experiencing an additional workload in the near future as SSA will require the processing special Title II Disability claims over the next 3½ years. These are claims that were incorrectly evaluated by SSA over a period of 15 years and will need to be re-adjudicated.

Performance Data Schedule

Performance data is reported weekly to the National Disability Determination Services System (NDDSS) via the states’ internal case processing system. Detailed instructions for workload

reporting are contained in the Management Information Manual for the DDS Work Measurement System (MIM-IV). Reports detailing the actual costs of non-SSA program work are forwarded to SSA quarterly.

Data Verification

The SSA maintains a systematic method of sampling the activities of each employee in each DDS for one week in each quarter throughout the year. The State Agency Work Sampling (SAWS) program is utilized to ensure adequate sample sizes for statistical accuracy at the national level. SAWS also provides more comprehensive unit time data for work power and budgetary evaluation and offers a better insight into the DDS time requirements for processing the various types of cases. Sample rounds occur during the working hours of each DDS office, Monday through Friday, including lunchtime and break periods. The sample round consists of recording the activities of each DDS employee by position type and by the specific activity being performed at the sample moment. DDS submits SAWS data within two workdays following the sample days. National SAWS data is then edited, tabulated and made available to the DDS for workload management and other purposes.

Department of Children's Services

General Agency Information

Since its creation in 1996, the Department of Children's Services (DCS) has been the state agency responsible for meeting the needs of children in state custody or at risk of entering custody, and their families. Departmental programs include:

1. Administration
2. Family Support Services
3. Custody Services
4. Adoption Services
5. Child and Family Management
6. John S. Wilder Youth Development Center
7. Taft Youth Development Center
8. Woodland Hills Youth Development Center
9. Mountain View Youth Development Center
10. Community Treatment Facilities
11. Tennessee Prepatory School
12. Major Maintenance

DCS strives to protect children from abuse and neglect, provide care for children who cannot remain in their own homes, promote the stability of families, and rehabilitate delinquent youth through residential or community-based treatment. The Department works with families to resolve issues that may threaten the safety and well being of children. If necessary, DCS provides for temporary out-of-home care for children whose safety is in jeopardy in their own home, and works with the family and other involved parties to achieve permanency and stability in the child's living situation. For children who cannot return to their previous home environment, the Department works to provide a nurturing home for children such as with relatives who can care for the child, or a permanent placement through adoption.

In Fiscal Year 2001-2002, *Brian A., et al., vs. Don Sundquist et al.,* a class-action lawsuit filed against the Department on behalf of children who are or will be in custody, was settled. The *Brian A.* settlement agreement outlines standards regarding how services are to be delivered, as well as outcome and performance measures that must be met for successful resolution of the settlement agreement.

In 2002, DCS participated in the federal Child and Family Services Review (CFSR) administered through the Administration on Children and Families (ACF). The purpose of the review process is to examine the experiences of children and families involved with state child welfare systems, to evaluate state conformity with federal child welfare regulations outlined in Titles IV-B and IV-E of the Social Security Act, and to help states improve their ability to improve outcomes for the children and families they serve. The CFSR focuses on areas of safety, permanency, and well being for children and their families. The review consisted of examination of state data, a statewide self-assessment, an on-site review of 50 cases, and interviews and focus groups with state and community stakeholders. DCS has developed a Program Improvement Plan to be implemented in Fiscal Years 2002-2003 – 2004-2005 in response to the findings of the CFSR.

Administration

359.10 Administration

The administration program consists of the commissioner and the necessary support staff to address the functions of personnel; training and staff development; program support; audit; internal affairs; information resources; legal; policy, planning, and research; resource management; medical services; communications; educational services; quality assurance and fiscal services.

Statutory and Constitutional Objectives

TCA 37-5-101-105 creates the Department, defines its purpose, establishes guidelines for the appointment of the commissioner, and delineates the duties and responsibilities of the commissioner.

Titles IV-A, IV-B, IV-E, and IV-D of the federal Social Security Act (SSA) charges all state child welfare agencies with the provision of certain services to children and families, including but not limited to foster care maintenance payments program, make reasonable efforts to reunite families by providing the time-limited reunification services, provide independent living services, provide prevention services, and after removal make all efforts to assist a child in achieving permanency. Child welfare agencies are responsible to the federal government for an accounting of the services provided and the use of federal funds.

Title XIX of the SSA requires states to ensure that eligible children in the custody of the state be provided with Medicaid/TennCare services.

Title VI references the responsibilities regarding civil rights and nondiscrimination.

Mandated and Optional Services and Means of Providing Them

The primary services provided by through the administration program include:

Processing of all financial transactions conducted by DCS, which is mandated through TCA 4-3-1007, 9-4-301, and related policies;

Management of all payroll and personnel transactions;

Internal Audit, which ensures departmental fiscal compliance in accordance with all applicable statutes and regulations of law. The unit audits program services, facilities, assets and liabilities, and other areas within the Department. This unit also assists management in evaluating and strengthening internal controls. Internal Audit serves as the liaison to the Office of the Comptroller of the Treasury, and notifies the Comptroller's Office of lost or stolen departmental property after a thorough investigation is completed. This unit is also responsible for notifying the Comptroller's office of any misappropriation of state property or monies through employee malfeasance and misfeasance; The Information Resources division, which provides the Department with computer technology and related support needed to conduct business; and

The Office of General Counsel provides legal advice and counsel to the Commissioner and Departmental employees. The 69 attorneys and 14 legal assistants who staff the Office of General Counsel are located in 22 offices across the state. One attorney in each DCS region (total of 12 attorneys) specializes in educational issues faced by children in state custody.

All services in this program are mandatory.

Performance Standards

1. Travel Claims will be processed accurately within 10 business days of receipt.
2. The legal staff will file Termination of Parental Rights petitions in a timely manner.

Performance Measures

1. Percentage of Travel Claims processed accurately within 10 business days of receipt.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	75%

2. Percentage of children with a sole goal of adoption who had a petition to terminate parental rights filed within 3 months.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	60%	60%

Obstacles to Meeting Objectives and Delivering Services

The primary obstacle is the lack of integration of the multiple financial systems used to process transactions. This causes data reporting, difficulties in data retrieval, challenges in creating comparability and ensuring reliability, and untimely or inaccurate processing of data.

Means of Overcoming Obstacles

The Department is working to implement the systems changes to TN KIDS to allow interface between TN KIDS and Oracle e-Business, the Fiscal and Administration Division's Enterprise Resource System for financial and resource management. Oracle e-Business is being modified to accommodate the unique business requirements of a governmental entity, particularly as they relate to contract processing, funding, and approval.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department performs periodic reviews of the Random Moments Sample system in place to verify the propriety of the amounts recovered through the approved cost allocation plan methodology. Additionally, the Department will be reviewing its cost allocation methodology

over the next 12 months to ensure that it is reflective of the actual functions performed by the administration of the Department.

The Department continues to partner with the Department of Finance and Administration and private consultants to identify potential means of maximizing revenues available through grant awards for all services provided by the Department.

The Department is currently evaluating the impact of opting to convert the IV-E program from an entitlement grant to a block grant to determine which option best meets the business requirements of the Department and the needs of the children and families that we serve.

Means of Avoiding Unnecessary Costs and Expenditures

DCS currently reviews materially significant contracts through an agreement with the Department of Finance and Administration, Program Accountability and Review Section. Reports are reviewed by Quality Assurance and programmatic management for performance and outcomes and are reviewed by Fiscal and Administrative Services for financial compliance and viability.

Periodic reviews of contracted services are performed to determine the cost effectiveness of the services as compared to in-house provision.

The Department is in the process of piloting a program in which special emphasis will be given to securing SSI funding for eligible children in custody.

Future Challenges and Opportunities

The Department's primary funding source for children in custody continues to be from Title IV-E of the Social Security Act. We are evaluating the option of converting to a block grant from an entitlement program and the effects of this conversion on Temporary Assistance to Needy Families (TANF), TennCare, and other funding streams currently available to the Department.

The Department is also working to ensure Health Insurance Portability and Accountability Act (HIPAA) compliance for transactions and code sets by the mandated date of October 16, 2003. A request for proposal is currently in development to acquire the services of an automated clearinghouse to remediate the data compliance issues.

Performance Data Schedule

Performance data will be reported quarterly.

Data Verification

The Department utilizes the results from internal audits by the data quality unit, information resources and the quality assurance to verify data.

The Fiscal and Administrative Division performs routine edits and filters on data to ascertain accuracy and reliability. This includes comparison with data produced within the Department to data from outside sources, specifically sister state agencies.

Family Support Services

359.20 Family Support Services

The Non-custodial Family Support Services program provides for contracted services that include Family Support provided through the Community Services Agencies (CSA), Family Preservation, Child Abuse Prevention and Intervention, Juvenile Justice Prevention and Intervention, Relative Caregiver, Child Development, Counseling and Support, and Healthy Start services. A primary goal of this program is to provide services to dependent/neglected, unruly, and delinquent children and their families in order for the child to remain in/return to their own home.

Statutory and Constitutional Objectives

TCA 37-5-106 mandates DCS to administer, develop and/or oversee programs for children who are in imminent risk and in need of services to prevent entry into state custody, or who are in state custody pending family reunification.

TCA 37-1-166 requires DCS to make reasonable efforts to prevent the need for removal of the child from the child's home or make it possible for the child to return home.

TCA 37-1-168 mandates DCS to establish juvenile-family crisis intervention programs to provide continuous 24-hour on-call service designed to attend and stabilize juvenile-family crises.

TCA 37-1-603 mandates DCS to develop a state plan that encompasses and complies with the scope of the provision of Title 37, Chapter 1, Part 6 for the detection, intervention, prevention and treatment of child sexual abuse.

TCA 37-1-611 mandates that DCS has the prime responsibility for strengthening and improving child sexual abuse detection, prevention and treatment efforts. It also mandates that DCS provide ongoing protective, treatment and ameliorative services to, and on behalf of, children in need of protection to safeguard and ensure their well-being and, whenever possible, preserve and stabilize family life.

TCA 37-3-605 mandates DCS and Mental Health and Developmental Disabilities to jointly implement the program of family preservation services. Effective July 1, 1998, DCS has the sole responsibility for implementation of this part.

TCA 37-4-102 mandates DCS to administer the Interstate Compact for Juveniles.

TCA 37-4-203 mandates DCS to administer the Interstate Compact for the Placement of Children.

TCA 37-5-302 establishes the Community Services Agencies to provide a mechanism to help provide services for children and families through centralized agencies located throughout the state.

Title IV-E of the Social Security Act requires Tennessee to make reasonable efforts to reunite families by providing the time-limited reunification services. Prevention services must be provided to prevent the unnecessary removal of a child from his/her home and after removal make all efforts to assist a child in achieving permanency.

Child Abuse and Prevention and Treatment Act (CAPTA), 42 U.S.C. 5101 et seq.; 42 U.S.C. 5116 et seq.; 45 C.F.R. 1340 requires the state to provide prevention and intervention services to families, provide services to families through the community-based family resource and support program.

Mandated and Optional Services and Means of Providing Them

Family Support Services are provided to children and families for children to successfully remain in their homes, and includes purchased services from private providers such as intensive family preservation, counseling, homemaker, drug/alcohol services, child care/sitter services, electronic monitoring services and respite services, as well as flexible funding to meet basic needs such as clothing and rent.

The Family Crisis Intervention Program (FCIP) provides alternatives for children who are charged with or who have committed a status offense. This service requires each court to refer unruly youth to the program, as an alternative to placement in state custody, so that the family may have the opportunity to stabilize and obtain needed services. The court may not commit children in this situation to state custody unless the FCIP staff certifies that there is no less drastic alternative for these children. The FCIP service is provided to families for up to 75 days and refers families to existing community resources.

Child Abuse Prevention and Intervention is provided through a variety of funding sources, both state and federal, and community service providers contract through the Department or other state agencies. This service focuses on either early prevention or prevention of subsequent reports of child abuse and neglect. The service may include working with parents through training, counseling and support groups, prevention efforts geared toward children, child abuse prevention through public education.

The Juvenile Justice Prevention and Intervention services target youth who are at risk of coming into state custody due to status offenses or acts of delinquency. Services include: grant programs that target youth at risk of entering state custody for delinquency, truancy and other status offenses; educational programs that provide an effective learning environment and a continuum-of-care for at-risk students: safety promotion in schools and communities: and summer programs for at-risk youth.

Juvenile Court Prevention Grants are provided primarily through local Juvenile Courts and target youth entering care due to delinquency, truancy, or other status offenses. The service is designed to prevent youth from coming into care, to prevent truancy, and to provide probation/case support services.

The Relative Care-Giver Program is designed to support children who cannot be raised by their parents, and who are being cared for by grandparents or other family members as an alternative to coming into DCS custody. This service is provided to caregivers and includes individual and family counseling, legal services, financial aid, recreation, homemaker services, support group participation, training, and case management, as well as providing for concrete needs such as beds, mattresses and clothing. Children maybe involved in activities such as therapeutic groups, training, and recreation.

Healthy Start is an intensive home-visiting program offered primarily to first-time parents to promote family health and prevent child abuse.

All services identified in this program are mandatory.

Performance Standards

1. Children being served by Family Support Services (FSS) program will not come into state custody.
2. Youth that are served through the Family Crisis Intervention Program (FCIP) will not come into custody.

Performance Measures

1. Percentage of children that do not come into care while the FSS program is providing services to the family.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
90%	90%	90%

2. Percentage of youth served through FCIP that do not come into care at the completion of the program.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
97%	97%	97%

Obstacles to Meeting Objectives and Delivering Services

Creating an effective reporting system to allow for adequate measurement of prevention efforts has been a challenge for the Department. Using the increase/decrease in the number of reports of abuse/neglect received has not proved to be useful as it is difficult to determine the cause of the change in reports.

The Department also faces the challenge of providing services across the state in both urban and rural areas. Historically, the provision of funds through grants has resulted in an inequity in the distribution of funds for the juvenile justice and child advocacy center services in particular. The Department is faced with the need to increase family support services and/or redistribute existing

funds to provider services more equitably across the state. The Department struggles to find contract providers to provide services in resource-poor areas.

Means of Overcoming Obstacles

The Department is revising the terms of Child Abuse Prevention grants and improving the reporting on the clients and the effectiveness of the programs. A recent change in state law governing these grants will make it possible to report on the outcomes for children and families served.

A needs assessment will be completed to assist in identifying areas of service that need to be developed or expanded. An announcement of funds will be made to encourage providers to expand into areas they haven't traditionally served. A Resource Planning and Utilization committee will bring together the administrators of all funding streams to ensure that spending is managed in a coordinated way that best utilizes funds.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department will continue to research available sources of revenue and will review grants to maximize funding.

As noted above, a Resource Planning and Utilization committee is being developed that will bring together the administrators of all funding streams in order to ensure that spending is managed in a coordinated way that best utilizes funds.

Means of Avoiding Unnecessary Costs and Expenditures

DCS will review information currently gathered on the service provided by contractors to evaluate effectiveness of those services. The data will also be used to evaluate the cost-effectiveness of providing services through contracts with agencies versus providing services through internal resources.

The Department makes use of internal and external audit processes to evaluate expenditures. Such audits include those done by the Comptroller, Division of Accounting, and federal Administration for Children and Families.

Future Challenges and Opportunities

One primary goal is to prevent the unnecessary entry of children into state custody by maintaining them safely within their own homes. A major challenge is finding ways to intervene at the earliest opportunity to prevent abuse/neglect or unruly behaviors and therefore minimize future commitments of children to state custody.

The goals established through the *Brian A.* settlement agreement and the federal Child and Family Services Review have helped DCS focus on needed organizational changes.

Meeting the needs of families experiencing drug/alcohol abuse will continue to challenge the Department to create additional alcohol/drug treatment opportunities. Staff must be trained so that they are prepared to address the needs of these families.

The Department is consistently faced with the challenge of providing services so that they are available to all children and families in all regions.

Performance Data Schedule

Data for performance measures are available on a quarterly basis.

Data Verification

The Department utilizes the results from internal audits by the data quality unit, information resources and the quality assurance to verify data to verify the accuracy of data. External reviews such as C-PORT and the federal Child and Family Services Review are also used.

Custody Services

359.30 Custody Services

This program allows for the purchase of contracted residential and support services for children in state custody and their families.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 directs DCS is to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 36-1-142 mandates DCS to immediately assume the care, custody and control of any infant aged seventy-two hours or younger who is voluntarily delivered to any facility by the infant's mother and shall petition the appropriate court for legal custody of such child.

TCA 37-1-176 mandates that if a child with mental illness is committed to the temporary legal custody of the Department under 37-1-175, the Department shall provide the necessary care, training, or treatment for the child in the least drastic alternative way which is available and suitable to meet the child's needs.

TCA 37-2-202 mandates DCS is mandated to take custody and guardianship of any child adjudicated dependent and neglected, unruly or delinquent by a juvenile court and placed in the custody of DCS.

TCA 37-2-414 mandates the Kinship Foster Care program, through which relatives who meet eligibility standards for becoming a kinship foster parent may care for a related child in state custody and be compensated for the full foster care rate and any other benefits that might be available to foster parents, whether in money or in services. This statute also mandates that DCS attempt to place a child with a relative when a child has been removed from such child's home and is in the care, custody or guardianship of DCS.

Mandated and Optional Services and Means of Providing Them

Foster Home Payment service is the process for payment of DCS Foster Homes, which serve children who are unable to remain in their own homes and have been placed in the custody of the State of Tennessee. The foster homes are recruited, trained, and approved by DCS staff.

Residential Contract Services provide approximately 65% of the residential care provided for children and youth in the custody of DCS. Residential programs include highly structured residential treatment facilities for children and youth with significant mental health issues, specialized sex offender and drug treatment programs, community based group homes, emergency shelters and assessment centers, and family foster care.

Child and Family Support Services are designed to meet the needs of children and youth in the custody of the Department through assessing and meeting the mental, physical and behavioral needs of children in custody, providing services to prepare youth to live independently. Child and Family Support Services also help to move children into a permanent living situation through Time-Limited Family Support, Permanency Reunification, and Custodial Wrap-Around services. Independent Living services provide eligible youth with a full array of developmentally appropriate services to prepare them for living independently. Through the use of Chafee Independent Living funds and other state and federal funds, DCS will ensure that a continuum of developmentally appropriate services are available for foster and former foster youth beginning at the age of 14 and continuing through age 21.

All services identified in this program are mandatory.

Performance Standards

1. Increase the number of new DCS foster homes utilized during the fiscal year.

Performance Measures

1. The number of DCS foster homes utilized during the fiscal year.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
1,960	2,060	2,160

Obstacles to Meeting Objectives and Delivering Services

The Department is focusing on placing children in "family-like" environments rather than group settings whenever possible and appropriate, which requires more family foster homes. DCS is challenged to increase the number of qualified families who are willing to share their homes with our children and meet the many demands that these children bring.

DCS continues to experience challenges in transitioning youth in custody who are mentally retarded and mentally ill into the adult system when they reach the age of majority. Difficulties in finding conservators, services, and living arrangements for these youth complicate the provision of appropriate services.

Creating an effective reporting system to allow for adequate measurement of the effectiveness of contractors in providing services has been a challenge for the Department.

Means of Overcoming Obstacles

DCS is taking steps to increase efforts not only to recruit additional foster homes but also to identify "child-specific" family placements with relatives and other persons with whom a child already has a significant relationship. DCS has intensified efforts to work with families and children in order to identify these possible placement resources as early as possible, to assess the appropriateness of the resources in a timely manner, and to recommend the placements to the courts. DCS is working within each region to develop region-specific recruitment plans.

DCS is working with the Children's Cabinet to address the issue of transitioning youth with special needs into the adult system in an effort to facilitate the coordination of services among the Departments responsible for these youth.

The Department is working to develop more sufficient performance standards for evaluating service providers.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department is currently evaluating the impact of converting the IV-E program from an entitlement grant to a block grant.

Appropriate determination of the children eligible for IV-E funds provides the Department with revenue to use for their care. The future automation of the process for determinations and re-determinations should help with this process.

Means of Avoiding Unnecessary Costs and Expenditures

By assuring appropriate determination of IV-E eligibility, the Department avoids being assessed for overpayment of IV-E funds.

The Department will conduct a needs assessment to identify service needs and make recommendations for use of funds.

Improving the assessment of children and families' needs and creating appropriate permanency plans based on those assessments will help to ensure that they are receiving the services that best meet their needs and that they in turn reach permanency sooner.

Future Challenges and Opportunities

DCS will continue to face the challenge of recruiting and maintaining available foster homes to meet the needs of the children in custody.

Federal auditors are reviewing the use of Medicaid funds to pay for residential contract services, which may result in a reduction of TennCare funding.

Performance Data Schedule

Data are available on a quarterly basis.

Data Verification

Data may be verified through manual comparison of TN KIDS and ChiPFinS information.

Adoption Services

359.40 Adoption Services

Adoption services provided by DCS include: services to birth parents, services to the child, services to the adoptive parents, placement and post-placement services through finalization of the adoption, adoption assistance and access to sealed adoption records or information from sealed adoption records to adult adopted persons and their birth and legal relatives.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 36-1-101 through 142 authorizes DCS to place children for adoption; and establishes guidelines for termination of parental rights, search of sealed records, the contents of a pre-placement home study, and other adoption-related procedures.

TCA 37-5-106 requires DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families who are in state custody pending permanent placement.

TCA 37-5-122 mandates that DCS operate the post-adoption search services involving requests to open adoption records pursuant to TCA 36-1-127 and establish and maintain the contact veto registry.

Titles IV-B and IV-E of the Social Security Act requires states to provide Adoption Assistance payments for special needs children and provide family preservation and support services.

Mandated and Optional Services and Means of Providing Them

Adoption Assistance is designed to assist families in meeting the needs of the children they adopt and to support the family through the adoption experience. Eligibility for adoption assistance is based on the documented needs of the child and can include issues of race, age, membership of a sibling group of three or more children being placed together, physical, emotional and behavioral challenges the child presents, or their history of severe abuse as defined by state statute. Services, as stipulated in the adoption assistance agreement, may include financial support and services to meet the physical and emotional needs of the child.

Access to information, through a post-adoptions records search, is provided as a service to adult persons who were adopted in Tennessee, their birth and legal relatives, as well as to the adoptive parents of minor children.

Recruitment activities include production of television commercials, establishment of billboards featuring children in need of adoptive families and messages about the need for adoptive parents, advertisements in newspapers and parent focused magazines, adoption "walks", parties which facilitate meetings between families and children, adoption fairs, and campaign distribution materials such as posters, brochures and fliers. Recruitment services must be reflective of the race and ethnicity of the children we serve and can be both general and child specific in nature.

Placement and post-placement services are provided to families to facilitate and support the adoptive placement, prevent a placement disruption and the child's re-entry into the foster care system.

All services identified in this program are mandatory.

Performance Standards

1. Children will be placed for adoption with an adoptive home contract signed within 12 months of termination of parental rights.
2. Adoptions will become final within six months of the adoptive placement.

Performance Measures

1. Percentage of children freed for adoption that have an adoptive home identified and an adoptive contract signed within 12 months.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
57%	75%	75%

2. Percentage of adoptions that become final within six months of the adoptive placement.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
77%	80%	80%

Obstacles to Meeting Objectives and Delivering Services

Maintaining parity between foster care rates and adoption assistance is a challenge for the Department.

Providing an array of services to maintain families after finalization of adoption has been an obstacle for DCS. These services are to support these families and assist in preventing disruption of adoptions.

Means of Overcoming Obstacles

Through the budget improvements granted for Fiscal Year 2004, adoption assistance payments will increase by 2%; however, they are still below those for foster care services.

A contract for provision of services to families after adoption finalization is being developed for implementation in Fiscal Year 2004.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department is currently evaluating the impact of converting the IV-E program from an entitlement grant to a block grant.

Means of Avoiding Unnecessary Costs and Expenditures

The Department uses internal and external audit processes to evaluate expenditures. Such audits include those done by the Comptroller, Division of Accounting, and federal Administration for Children and Families.

Future Challenges and Opportunities

As foster care rates increase with the cost of living, the disparity between those payments and the ones for adoption assistance becomes greater. Increasing the adoptions assistance rates will continue to challenge the Department.

Recruitment of families for older children and families that reflect the ethnicity of a child continues to be a challenge for the Department.

As the number of adoptions continues to increase, so will the caseload for adoption assistance resulting in the need for additional funds to address this increase.

Performance Data Schedule

Data are reported quarterly.

Data Verification

The performance standards were agreed to in the *Brian A.* lawsuit and are date specific. The data may be compared to that gained through internal audits as well as case file reviews conducted by the *Brian A.* monitor.

Child and Family Management

359.50 Child and Family Management

Child and Family Management provides case management services to children and their families in the most appropriate and timely manner to meet identified intervention, treatment, and placement needs. Case management services consist of assessment of needs, individual case planning and managing, and evaluation services. Case management services are provided primarily through DCS staff and through contracts with community services agencies. Case management support is provided through Regional Services Administration, Child and Family Teams, Resource Management, and Court Liaisons.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 mandates DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are in state custody pending family reunification or other permanent placement.

TCA 36-1-142 requires DCS to immediately assume the care, custody and control of any infant aged seventy-two hours or younger who is voluntarily delivered to any facility by the infant's mother and shall petition the appropriate court for legal custody of such child.

TCA 37-1-176 mandates that if a child with mental illness is committed to the temporary legal custody of the Department under 37-1-175, the Department shall provide the necessary care, training, or treatment for the child in the least drastic alternative way which is available and suitable to meet the child's needs.

TCA 37-1-406 & 37-5-512 mandates DCS to receive and fully investigate all reports of abuse or neglect twenty-four hours a day, seven days a week.

TCA 37-1-604 mandates DCS to provide for the investigation of child sexual abuse by the child protection team and provide for comprehensive protective services for sexually abused children.

TCA 37-2-202 mandates DCS to take custody and guardianship of any child adjudicated dependent and neglected, unruly or delinquent by a juvenile court and placed in the custody of DCS.

TCA 37-2-414 establishes a Kinship Foster Care program in DCS. This statute mandates that DCS attempt to place a child with a relative when a child has been removed from such child's home and is in the care, custody or guardianship of DCS.

TCA 37-4-203 DCS is mandated to administer the Interstate Compact on the Placement of Children.

TCA 37-5-123 mandates DCS to provide or contract with a private entity to provide members of the public who have requested a notification of release of a juvenile adjudicated to have committed a delinquent act that would constitute a felony if committed by an adult from a facility operated by or under contract with DCS to home placement.

Title IV-E of the Social Security Act, 42 U.S.C. 620, 670, 1302, et seq.; 45 CFR 1356 and sections 472, 475(1), (4), (5) and (6) requires states make reasonable efforts to reunite families by providing the time-limited reunification services. Services must include individual, group and family counseling, in patient services, residential and outpatient services for drug addiction, mental health services and transportation services. Independent living services must be provided to children. Prevention services must be provided to prevent the unnecessary removal of a child from his/her home and after removal make all efforts to assist a child in achieving permanency.

Child Abuse and Prevention and Treatment Act (CAPTA), 42 U.S.C. 5101 et seq.; 42 U.S.C. 5116 et seq.; 45 C.F.R. 1340 requires states to investigate the abuse and neglect of children, provide prevention and intervention services to families, treatment services to children, provide services to a broad range of troubled families through he community-based family resource and support program, and creation and provision of juvenile justice and delinquency services.

Mandated and Optional Services and Means of Providing Them

DCS is mandated to protect children from abuse, mistreatment or neglect, provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment and ensure that health care needs, both preventive and practical, are met (TCA 37-5-102).

Child Protective Services include: receiving reports; assessing those reports as to occurrence of the alleged incident and occurrence of future abuse, neglect or exploitation; assessment of family strengths, needs, and risk to the child's safety; and purchase of counseling, medical, and case management services to address the factors causing or contributing to the maltreatment

Case management services include working with children and families for the assessment of needs, individual case planning and management, and referral to support services.

All services identified in this program are mandatory.

Performance Standards

1. Reports of severe abuse and neglect will be investigated within 24 hours.
2. Children will be in state custody for less than two years.
3. Children with a permanency goal of reunification will be appropriately reunited with their parents or caretakers in less than 12 months.

Performance Measures

1. Percentage of Priority 1 abuse and neglect will be investigated within policy timeframes.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
94%	96%	96%

2. Percentage of children who are in state custody less than two years.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	85%	85%

3. Percentage of children with a goal of reunification who are reunified with their parents or caregivers in less than 12 months of latest removal date.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
72%	75%	75%

Obstacles to Meeting Objectives and Delivering Services

Case managers are charged with significant responsibilities to intervene in emotionally volatile situations, to assess family and individual functioning, to engage families in a change efforts, and finally to help them make changes that result in improved safety and well-being. Finding qualified applicants, competing with non-government agencies that have a higher salary base, and providing support through skills-based training and appropriate supervision are difficult.

Receiving timely reports of alleged abuse/neglect with the appropriate information needed for follow up, and the ability to assure consistent evaluation of those reports are also obstacles.

Means of Overcoming Obstacles

DCS is taking several steps to prevent staff turnover. The number of staff has been increased over the past two years for those working with custodial children who are part of the *Brian A.* settlement agreement allowing for lower caseloads, an increase in the amount of time staff can devote to direct interaction with families, and a reduction in work-related stress. The Department is currently working to build a more comprehensive, skills-based training program to better prepare staff to meet the demands of their jobs. A stipend program has been developed to encourage frontline staff to seek additional education by pursuing undergraduate or graduate degrees in job-related fields.

DCS has designed an initiative that focuses on supporting front-line supervisors and improving their performance. The Department will provide skills-based training for supervisors, revise job plans to accurately reflect expectations, and provide on-going support to supervisors through quarterly meetings that will allow for continuing education, improved communication, and encouragement and collaboration between supervisors.

DCS is implementing a central intake system for receiving and screening new referrals of child abuse and neglect. Currently five of twelve regions are online with central intake, including the two largest metropolitan areas, Memphis and Nashville. With additional upgrades of the data system, implementation will gradually be statewide with the full state online by 09/31/03. Since there is a centralized point of contact with fewer persons actually taking the information (as compared to the previous statewide intake system with over 100 points of contact), the Department has been able to focus on achieving inter-rater reliability and consistency in the way reports are processed. The system will assure that each report of child maltreatment is carefully considered and thoroughly documented by attaching the appropriate sense of urgency in responding to the report.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department is currently evaluating opting to convert the IV-E program from an entitlement grant to a block. Appropriate determination of the children eligible for IV-E funds provides the Department with revenue to use for their care. The future automation of the process for determinations and re-determinations should help with this process.

The Department continues to partner with the Department of Finance and Administration and private consultants to identify potential means of maximizing revenues available through grant awards for all services provided by the Department.

Means of Avoiding Unnecessary Costs and Expenditures

DCS will review information currently being gathered on the service provided by contractors to evaluate effectiveness of those services

Improving the assessment of children and families' needs and creating appropriate permanency plans based on those assessments will help to ensure that they are receiving the services that best meet their needs and that they in turn reach permanency sooner.

The Department makes use of internal and external audit processes to evaluate expenditures. Such audits include those done by the Comptroller, Division of Accounting, and federal Administration for Children and Families.

Future Challenges and Opportunities

DCS continues to face the challenges of establishing and maintaining a workforce that is adequately trained and educated.

Performance Data Schedule

Data are generated monthly and quarterly through the TN KIDS system and regional reports.

Data Verification

Data is verified through comparison to that collected by the court monitor, the state Children's Program Outcome Review Team (C-PORT) review and various federal reviews.

Youth Development Centers

359.60 John S. Wilder Youth Development Center

John S. Wilder Youth Development Center provides individualized treatment programs and services to juvenile offenders. Wilder has the capacity to serve 144 youth. Wilder YDC assesses and cares for the needs of juveniles while offering counseling and educational services.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 mandates DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 37-5-113 mandates DCS to have its youth development centers accredited by a regionally or nationally recognized accreditation body such as the American Correctional Association, the Council on Accreditation or other accreditation agency

TCA 37-5-114 mandates DCS to administer any juvenile programs, which were administered by the Department of Youth Development including Youth Development Centers, Community Treatment Facilities, Probation and Aftercare programs.

TCA 37-5-119 mandates the youth development centers and any other facilities deemed appropriate by the commissioner shall be a special school district which shall be given the same funding consideration for federal funds that school districts within the state are given.

TCA 37-5-201 directs the Youth Development Centers are established for the detention, treatment, rehabilitation and education of children found to be delinquent.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment, and ensure that health care needs, both preventive and practical, are met. Other services provided for the care and rehabilitation of youth include: drug/alcohol abuse treatment, sex abuse/sex offender treatment, academic education, counseling, medical care, vocational training.

All services identified in this program are mandatory.

Performance Standards

1. Students will demonstrate improvement in academic achievement while at Wilder Youth Development Center.

Performance Measures

1. Percentage of students who show academic achievement by scoring higher on post-tests than on pre-tests.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	75%

Obstacles to Meeting Objectives and Delivering Services

There has been an increase in the number of youth with alcohol/drug problems, as well as an increase in the intensity of the delinquent behaviors resulting from this abuse. These behaviors are closely related to gang affiliations and resulting activities, and youth being exposed to serious criminal behaviors at earlier ages.

An obstacle to providing services includes meeting the challenges of providing a full range of educational services to youth. Many youth come into the facility at below grade level, and/or leave the facility before being able to complete a course of study.

Means of Overcoming Obstacles

Wilder staff will work with other juvenile justice programs to re-evaluate current training provided through the Training Academy, and other resources, concentrating on mental health disorders, alcohol/drug abuse, and gang-related behaviors.

Wilder is implementing new computer software to assist youth in reaching grade-level work, using tutors to assist these students, and creating treatment plans that are realistic and target educational, vocational and career needs. Remedial classes for GED preparation, and post-high school educational opportunities also are being developed.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded primarily through state funds. DCS will continue researching available grant opportunities appropriate to this program.

Means of Avoiding Unnecessary Costs and Expenditures

Assure academic staff and resources are being utilized to maximize resources through internal/external monitoring, audits, and through creativity; continue to require senior managers to approve all expenditures in their areas; perform quarterly internal controls audits; report budget status quarterly.

Future Challenges and Opportunities

Mandates like those set forth in the No Child Left Behind ACT of 2001, the expectation for each school to make guidance counselors available to the students, and state expectations for students to pass exams such as the Gateway at specified points continue to impact the provision of educational services to students.

Recent attention has been paid to providing services through this program that are similar to those provided to children in foster care, which could impact YDC's by requiring additional staff training, etc.

Performance Data Schedule

Performance measures can be provided on a quarterly and annual basis.

Data Verification

The Department utilizes the results from audits, site reviews, and reaccredidation reviews to verify data.
The Department of Education tracks data related to student performance in all schools.

359.61 Taft Youth Development Center

Juveniles who are convicted of adult crimes, serious delinquent offenses, or have demonstrated major behavior problems at other institutions are placed at Taft Youth Development Center

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 DCS is to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 37-5-113 mandates DCS shall have its youth development centers accredited by a regionally or nationally recognized accreditation body such as the American Correctional Association, the Council on Accreditation or other accreditation agency

TCA 37-5-114 mandates DCS to administer any juvenile programs that were administered by the Department of Youth Development.

TCA 37-5-119 mandates that the youth development centers and any other facilities deemed appropriate by the commissioner shall be a special school district which shall be given the same funding consideration for federal funds that school districts within the state are given.

TCA 37-5-123 Provides for the notification to members of the public of release of a juvenile adjudicated to have committed a delinquent act that would constitute a felony if committed by an adult from a facility operated by or under contract with the Department to home placement.

TCA 37-5-201 establishes Youth Development Centers for the detention, treatment, rehabilitation and education of children found to be delinquent.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment, and ensure that health care needs, both preventive and practical, are met. Other services provided for the care and rehabilitation of youth include: drug/alcohol abuse treatment, sex abuse/sex offender treatment, parental responsibility counseling, academic education, education, counseling, medical care, vocational training

All services identified in this program are mandatory.

Performance Standards

1. Students will demonstrate improvement in academic achievement while at Taft Youth Development Center.

Performance Measures

1. Percentage of students who show academic improvement by scoring higher on post-tests than on pre-tests.

Actual (FY 2002-03)	Estimate (FY 2003-04)	Target (FY 2004-05)
Not Available	75%	75%

Obstacles to Meeting Objectives and Delivering Services

There has been an increase in the number of youth with alcohol/drug problems, as well as an increase in the intensity of the delinquent behaviors resulting from this abuse. These behaviors are closely related to gang affiliations and resulting activities, and youth being exposed to serious criminal behaviors at earlier ages.

An obstacle to providing services includes meeting the challenges of providing a full range of educational services to youth. Many youth come into the facility at below grade level, and/or leave the facility before being able to complete a course of study.

Means of Overcoming Obstacles

Taft staff will work with other juvenile justice programs to re-evaluate current training provided through the Training Academy, and other resources, concentrating on mental health disorders, alcohol/drug abuse, and gang-related behaviors.

Taft is implementing new computer software to assist youth in reaching grade-level work, using tutors to assist these students, and creating treatment plans that are realistic and target educational, vocational and career needs. Remedial classes for GED preparation, and post-high school educational opportunities also are being developed.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded primarily through state funds. DCS will continue researching available grant opportunities appropriate to this program.

Means of Avoiding Unnecessary Costs and Expenditures

Assure academic staff and resources are being utilized to maximize resources through internal/external monitoring, audits, and through creativity; continue to require senior managers to approve all expenditures in their areas; perform quarterly internal controls audits; report budget status quarterly.

Future Challenges and Opportunities

Mandates like those set forth in the No Child Left Behind ACT of 2001, the expectation for each school to make guidance counselors available to the students, and state expectations for students to pass exams such as the Gateway at specified points continue to impact the provision of educational services to students.

Recent attention has been paid to providing services through this program that are similar to those provided to children in foster care, which could impact YDC's by requiring additional staff training, etc.

Performance Data Schedule

Performance measures can be provided on a quarterly and annual basis.

Data Verification

The Department utilizes the results from audits, site reviews, and reaccredidation reviews to verify data. The Department of Education tracks data related to student performance in all schools.

359.62 Woodland Hills Youth Development Center

Youth Development Centers provide individualized treatment programs and services to juvenile offenders contributing to their successful reintegration into society. Woodland Hills serves 144 youth. This YDC assesses and cares for the needs of juveniles while offering counseling and educational services.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 mandates DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 37-5-113 mandates the Department shall have its youth development centers accredited by a regionally or nationally recognized accreditation body such as the American Correctional Association, the Council on Accreditation or other accreditation agency

TCA 37-5-114 mandates DCS to administer any juvenile programs that were administered by the Department of Youth Development.

TCA 37-5-119 mandates that the youth development centers and any other facilities deemed appropriate by the commissioner shall be a special school district which shall be given the same funding consideration for federal funds that school districts within the state are given.

TCA 37-5-123 provides for the notification to members of the public of release of a juvenile adjudicated to have committed a delinquent act that would constitute a felony if committed by an adult from a facility operated by or under contract with the Department to home placement.

TCA 37-5-201 establishes Youth Development Centers for the detention, treatment, rehabilitation and education of children found to be delinquent.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment, and ensure that health care needs, both preventive and practical, are met. Other services provided for the care and rehabilitation of youth include: drug/alcohol abuse treatment, sex abuse/sex offender treatment, parental responsibility counseling, academic education, education, counseling, medical care, and vocational training.

All services identified in this program are mandatory.

Performance Standards

1. Students will demonstrate improvement in academic achievement while at Woodland Hills.

Performance Measures

1. Percentage of students who show academic improvement by scoring higher on post-tests than on pre-tests.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	75%

Obstacles to Meeting Objectives and Delivering Services

There has been an increase in the number of youth with alcohol/drug problems, as well as an increase in the intensity of the delinquent behaviors resulting from this abuse. These behaviors are closely related to gang affiliations and resulting activities, and youth being exposed to serious criminal behaviors at earlier ages.

The population of youth served by this program is at high risk for returning to a treatment or correctional program. The chance to participate in a job training and/or advance education program would increase the possibility of a student gaining employment once he/she is out of the program, thus creating an incentive for the student to remain in his/her community. An obstacle in meeting this need is creating a program using current resources.

Means of Overcoming Obstacles

Woodland Hills will work with other programs to re-evaluate current training provided through the Training Academy, and other resources, concentrating on mental health disorders, alcohol/drug abuse, and gang-related behaviors.

This program will work within its current budget to begin a program to provide off-campus education and vocational services to appropriate youth.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded primarily through state funds. DCS will continue researching available grant opportunities appropriate to this program.

Means of Avoiding Unnecessary Costs and Expenditures

Assure academic staff and resources are being utilized to maximize resources through internal/external monitoring, audits, and through creativity; continue to require senior managers to approve all expenditures in their areas; perform quarterly internal controls audits; report budget status quarterly.

Future Challenges and Opportunities

Mandates like those set forth in the No Child Left Behind ACT of 2001, the expectation for each school to make guidance counselors available to the students, and state expectations for students to pass exams such as the Gateway at specified points continue to impact the provision of educational services to students.

Recent attention has been paid to providing services through this program that are similar to those provided to children in foster care, which could impact YDC's by requiring additional staff training, etc.

Performance Data Schedule

Performance measures can be provided on a quarterly and annual basis.

Data Verification

The Department utilizes the results from audits, site reviews, and reaccredidation reviews to verify data.

359.63 Mountain View Youth Development Center

Youth Development Centers provide individualized treatment programs and services to juvenile offenders contributing to their successful reintegration into society. Mountain View has the capacity to serve 144 youth. This YDC assesses and cares for the needs of juveniles while offering counseling and educational services.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 mandates DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 37-5-113 mandates the Department shall have its youth development centers accredited by a regionally or nationally recognized accreditation body such as the American Correctional Association, the Council on Accreditation or other accreditation agency

TCA 37-5-114 mandates DCS to administer any juvenile programs that were administered by the Department of Youth Development.

TCA 37-5-119 mandates that the youth development centers and any other facilities deemed appropriate by the commissioner shall be a special school district which shall be given the same funding consideration for federal funds that school districts within the state are given.

TCA 37-5-123 provides for the notification to members of the public of release of a juvenile adjudicated to have committed a delinquent act that would constitute a felony if committed by an adult from a facility operated by or under contract with the Department to home placement.

TCA 37-5-201 establishes Youth Development Centers for the detention, treatment, rehabilitation and education of children found to be delinquent.

Mandated and Optional Services and Means of Providing Them

The Department is mandated to provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment, and ensure that health care needs, both preventive and practical, are met. Other services provided for the care and rehabilitation of youth include: drug/alcohol abuse treatment, sex abuse/sex offender treatment, parental responsibility counseling, academic education, education, counseling, medical care, vocational training

All services identified in this program are mandatory.

Performance Standards

1. Students will demonstrate improvement in academic achievement while at Mountain View.

Performance Measures

1. Percentage of students who show academic improvement by scoring higher on post-tests than pre-tests.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	75%	75%

Obstacles to Meeting Objectives and Delivering Services

There has been an increase in the number of youth with alcohol/drug problems, as well as an increase in the intensity of the delinquent behaviors resulting from this abuse. These behaviors are closely related to gang affiliations and resulting activities, and youth being exposed to serious criminal behaviors at earlier ages.

An obstacle to providing services includes meeting the challenges of providing a full range of educational services to youth. Many youth come into the facility at below grade level or leave the facility before being able to complete a course of study.

Means of Overcoming Obstacles

Mountain View staff will work with other juvenile justice programs to re-evaluate current training provided through the Training Academy, and other resources, concentrating on mental health disorders, alcohol/drug abuse, and gang-related behaviors.

Mountain View is implementing new computer software to assist youth in reaching grade-level work, using tutors to assist these students, and creating treatment plans that are realistic and target educational, vocational and career needs. Remedial classes for GED preparation, and post-high school educational opportunities also are being developed.

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded primarily through state funds. DCS will continue researching available grant opportunities appropriate to this program.

Means of Avoiding Unnecessary Costs and Expenditures

Assure academic staff and resources are being utilized to maximize resources through internal/external monitoring, audits, and through creativity; continue to require senior managers to approve all expenditures in their areas; perform quarterly internal controls audits; report budget status quarterly.

Future Challenges and Opportunities

Mandates like those set forth in the No Child Left Behind ACT of 2001, the expectation for each school to make guidance counselors available to the students, and state expectations for students to pass exams such as the Gateway at specified points continue to impact the provision of educational services to students.

Recent attention has been paid to providing services through this program that are similar to those provided to children in foster care, which could impact YDC's by requiring additional staff training, etc.

Performance Data Schedule

Performance measures can be provided on a quarterly and annual basis.

Data Verification

The Department utilizes the results from audits, site reviews, and reaccredidation reviews to verify data.

The Department of Education tracks data related to student performance in all schools.

Community Treatment Facilities

359.65 Community Treatment Facilities

DCS operates thirteen group home facilities located across the state that provide minimum security residential programs for youth who have been determined appropriate for community placement. The primary focus is to reintegrate the youth into their home community by providing a structured program of academics, community involvement, counseling services, education, and often work experience. Two specialty programs are also provided by DCS. The Observation and Assessment Center in Johnson City provides area juvenile courts with detailed assessments prior to disposition. Lift Academy, a joint effort between DCS and the Carter and Johnson County School Systems, provides a day treatment/alternative school program to divert youth from state custody.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 37-5-106 mandates DCS to administer, develop and/or oversee programs for unruly, delinquent, dependent and neglected children, and their families, as well as children who are at imminent risk and in need of services to prevent entry into state custody, who are in state custody pending family reunification or other permanent placement.

TCA 37-5-114 mandates DCS to administer any juvenile programs that were administered by the Department of Youth Development, including Youth Development Centers and Community Residential Programs.

Title IV-E of the Social Security Act, 42 U.S.C. 620, 670, 1302, et seq.; 45 CFR 1356 and sections 472, 475(1), (4), (5) and (6) enables the youth served through the Community Treatment Facilities are eligible for the same services as other youth in foster care. Those services include individual, group and family counseling, in patient services, residential and outpatient services for drug addiction, mental health services and transportation services. Independent living services must be provided to children. Prevention services must be provided to prevent the unnecessary removal of a child from his/her home and after removal make all efforts to assist a child in achieving permanency. The state must provide Adoption Assistance payments for special needs children and provide family preservation and support services.

Mandated and Optional Services and Means of Providing Them

DCS is mandated to protect children from abuse, mistreatment or neglect, provide prevention, early intervention, rehabilitative, and educational services, pursue appropriate and effective behavioral and mental health treatment and ensure that health care needs, both preventive and practical, are met.
(TCA 37-5-102.)

Services provided through this program include: individual and group counseling, medical/dental treatment, recreation, academic/vocational training, transportation, substance abuse counseling, job training, and work opportunities. Eight of the group homes have in-house schools designed for students who have experienced difficulty adjusting in public schools

All services provided through this program are mandated.

Performance Standards

1. Delinquent youth referred to the Community Treatment Facilities will successfully complete the program.

Performance Measures

1. Percent of delinquent youth served through Community Treatment facilities that do not return to the Youth Development Centers.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
60%	65%	65%

Obstacles to Meeting Objectives and Delivering Services

There has been an increase in the number of youth with alcohol/drug problems, as well as an increase in the intensity of the delinquent behaviors resulting from this abuse. These behaviors are closely related to gang affiliations and resulting activities, and youth being exposed to serious criminal behaviors at earlier ages.

A greater percentage of the youth being served through CRP are being diagnosed with severe emotional and mental health disorders. As a result, more youth admitted are on psychotropic medications requiring a more intensive level of treatment and intervention.

Means of Overcoming Obstacles

The Community Treatment Facilities program will re-evaluate current training provided through the Training Academy, and other resources, concentrating on mental health disorders, alcohol/drug abuse, and gang-related behaviors.

In FY 2003, with the assistance of resources via TennCare, the Department worked with local mental health centers to expand availability of outpatient alcohol/drug treatment. The effects of this expansion in services will improve the outcomes for youth in FY 2004.

Means of Maximizing Federal and Other Non-State Sources of Revenue

The Department is currently evaluating the impact of opting to convert the IV-E program from an entitlement grant to a block grant.

Means of Avoiding Unnecessary Costs and Expenditures

Appropriate determination of the children eligible for IV-E funds provides the Department with revenue to use for their care. The future automation of the process for determinations and re-determinations should help with this process.

Future Challenges and Opportunities

The Community Treatment Facilities will continue to face the challenge of increased number of youth with alcohol/drug problems, and the associated behaviors. This has put more demands on the Community Treatment Facility Program creating a need to expand care and treatment for alcohol/drug dependent youth.

Nationally, the number of females with delinquent behaviors is increasing. These young females often present with treatment needs that are gender-specific. The Department is expanding availability of secure female programs, which will dictate the need for more enhanced step-down services.

Performance Data Schedule

Data are recorded by group home staff, submitted to central office Community Treatment Facility Program staff. Quarterly and annual reports are compiled by central office staff.

Data Verification

Data can be verified through TN KIDS. Through annual inspections, internal audits, American Correctional Association re-accreditation process, and the Children's Program Outcome Review Team (C-PORT), the accuracy of data is continuously monitored.

Tennessee Preparatory School

359.70 Tennessee Preparatory School

This program includes the upkeep and maintenance of the ground and buildings on the property of the former Tennessee Preparatory School.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 12-2-114 directs the leasing of state facilities.

TCA 12-2-103 through 109 directs maintaining an inventory of all state owned property.

Mandated and Optional Services and Means of Providing Them

The Department is mandated through statutory objectives to maintain state property.

Performance Standards

1. Maintain facilities and grounds and provide security services at a low cost.

Performance Measures

1. Maintenance cost per square foot.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	$5.75	$5.75

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely through state resources.

Means of Avoiding Unnecessary Costs and Expenditures

Prioritizing repair and maintenance work so that repairs that could become more costly if not attended to are dealt with first will help to avoid unnecessary costs.

Future Challenges and Opportunities

A challenge is being able to finance needed maintenance; the focus becomes preventative maintenance rather than repair work.

Performance Data Schedule

Data will be reported quarterly. Information regarding cost and project work is recorded as they occur.

Data Verification

Cost of maintenance and dates of project completions are tracked by management of this program, and evaluated through audits by other state agencies.

359.80 Major Maintenance

Funding to carryout necessary major repairs and maintenance in facilities operated by DCS.

Statutory and Constitutional Objectives

Tennessee Code Annotated (TCA) 12-2-114 directs the leasing of state facilities.

TCA 12-2-103 through 109 directs maintaining an inventory of all state owned property.

Mandated and Optional Services and Means of Providing Them

The Department is mandated through statutory objectives to maintain state property.

Performance Standards

1. Complete at least 80% of planned major maintenance projects.

Performance Measures

1. Percentage of planned major maintenance projects completed.

Actual (FY 2002-2003)	Estimate (FY 2003-2004)	Target (FY 2004-2005)
Not Available	80%	80%

Obstacles to Meeting Objectives and Delivering Services

Not Identified

Means of Overcoming Obstacles

Not Identified

Means of Maximizing Federal and Other Non-State Sources of Revenue

This program is funded entirely through state resources.

Means of Avoiding Unnecessary Costs and Expenditures

Prioritizing repair and maintenance work so that repairs that could become more costly if not attended to are dealt with first will help to avoid unnecessary costs.

Future Challenges and Opportunities

Being able to finance needed maintenance, so focus becomes preventative maintenance rather than repair work.

Performance Data Schedule

Data will be reported quarterly. Information regarding cost and project work is recorded as they occur.

Data Verification

Cost of maintenance and dates of project completions are tracked by management of this program, and evaluated through audits by other state agencies.

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Note: Bolded text indicates a department, agency, or commission.

State of Tennessee

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