



Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services

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January 24, 2014

The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Interim Committee on Ways and Means
H-178 State Capitol
Salem, OR 97301

Dear Co-Chair Devlin, Co-Chair Buckley and Committee members:

Nature of the Request

The Department of Administrative Services respectfully submits this letter in response to a narrative contained in 2013 HB 5008-A. The narrative reads:

Another statewide adjustment, which is included in agency budget bills and not in House Bill 5008, affects most state agencies. Package 091 (Statewide Administrative Savings) is a placeholder for administrative efficiencies and associated budget reductions in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Subcommittee affirmed that the reductions, at \$62.0 million total funds, are permanent and ongoing as they reflect fundamental changes in business processes. The Department of Administrative Services (DAS) will continue to work on details of these reductions with agencies and report to the Joint Committee on Ways and Means during the 2014 session. Agencies should direct concerns regarding permanency or implementation of the reductions to DAS. The Department will include a plan for resolving any issues related to these reductions as part of its 2014 report.

The Department also respectfully requests a hearing before the General Government Subcommittee of Ways and Means during the February 2014 legislative session to discuss details of the administrative reductions and the long-term plan for administrative savings.

Agency Action

The Governor's Balanced Budget for the 2013-2015 biennium included a holdback of approximately 10% of statewide administrative costs for Finance, Information Technology, Human Resources, Accounting, Payroll and Procurement activities. The Improving Government Steering Team and the Enterprise Leadership Team were charged with determining how best to provide those administrative services with less total resources. The Governor's Balanced Budget reinvested half that holdback into other areas of agency budgets.

The 2013-2015 Legislatively Approved Budget continued that idea as Package 091, a \$62 million total funds, across-the-board, unspecified reduction to agency administrative functions, with the aforementioned narrative in HB 5008-A. In working with the Legislative Fiscal Office and the General Government Subcommittee of Ways and Means, the Department indicated that it would continue the work with state agencies to identify projects that would improve and streamline processes and reduce costs that could then be used to meet the targets set by the across-the-board reduction.

The Improving Government Steering team chartered a number of projects intended to realize the savings identified in Package 091. As those projects developed, a number of issues that impeded the ability of those projects to meet the reductions of Package 091 became clear.

- Projects of scope and scale that will realize substantial savings take longer to initiate and execute than the timing of the Package 091 reductions can accommodate;
- Some projects require upfront investment of resources, so will not see initial expenditure reductions, but will realize savings in the long-term;
- Not all agencies benefit equally financially, or at all, from certain improving government projects;
- Not all funds saved are of a fund type that can be used to meet the Package 091 savings target or be redistributed to help another agency meet its target; and
- Some projects initiated by Improving Government will realize savings in administrative functions not explicitly included in the Package 091 reductions.

The Department recognized that these challenges made the anticipated approach to meeting the savings target identified in Package 091 unrealistic. Working with the Enterprise Leadership Team and the Legislative Fiscal Office, the Department has advised agencies to manage the Package 091 reduction as it might any other across-the-board reduction, and to work closely with their CFO and LFO analysts to identify any challenges or requests to redistribute the cuts within the elements of administration identified in the packet. Individual agency actions to apply the permanent reductions to budget lines are due to CFO on January 31, 2014. The Department will be available to address any specific questions about application of the Package 091 reductions during the February 2014 legislative session.

The Improving Government Steering Team, in partnership with the Office of the Chief Operating Officer, continues to modernize and streamline administrative processes and is capturing data on savings, both initially and projected across multiple biennia. While these projects do not lend themselves to budget strategies like the across-the-board reductions of Package 091, they will result in reduced expenditures in administrative functions and the opportunity to redirect resources, both financial and human, to other pressing needs over the long term.

Action Requested

The Department of Administrative Services respectfully requests acknowledgement of receipt of this report. The Department also respectfully request the opportunity to discuss the current projects and a long-term approach to improving government projects with the General Government Subcommittee of the Joint Committee on Ways and Means during the February 2014 legislative session.

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Legislation Affected

Chapter 723, (2013 Laws)

Sincerely,

A handwritten signature in blue ink, reading "Michael Jordan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Jordan, COO

DAS Director

cc: Paul Siebert, Legislative Fiscal Office