



Oregon

Kate Brown, Governor

Department of Administrative Services

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January 25, 2016

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Greg Smith, Co-Chair
Joint Committee on Ways and Means/Sub-Committee on General Government
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Re: SB 5502 Shared Services Budget Note Update

Dear Co-Chairpersons:

Background:

In the 2015 Legislatively Adopted Budget, the Legislature directed the Department of Administrative Services (DAS) to compile a list of all state agencies receiving administrative support services from an agency other than itself, or DAS. Attached to this summary of our process and results is a detailed list of findings. The text of the budget note is included at the end of this summary.

Methodology:

The Department distributed a survey to identify agencies receiving or providing administrative services, and followed up with agencies to gather specific information and copies of formal agreements. DAS divisions provided information on former client agencies who now receive services elsewhere.

The following information was collected, which is compiled into the attached spreadsheet:

- Agencies that are providing or receiving services to or from an agency other than itself or DAS.
- The types of administrative services being provided or received.
- How much agencies receiving services have agreed to pay.
- How much providing agencies expect provision of services will cost.
- How long the receiving agency has been using the current providing agency for services.
- How long the providing agency has been offering services to each agency served.
- How long those services have been outsourced to any state agency including DAS.

Results Summary:

Based on the self-reported information agencies provided, administrative services are provided by fourteen agencies to eighteen different client agencies, boards, or commissions. In the majority of relationships the larger agency provides services. There are twenty-four arrangements between agencies; nineteen are detailed in interagency agreements, two are by statutory requirement, two agencies trade services with each other without a written agreement, and one provides services without a written agreement.

Agencies receiving services pay fees to the providing agency in twenty one of the relationships; in the case where two agencies trade services there is no fee payment. In one relationship no fees are charged.

Payment structures vary, and include flat annual or monthly charges, a fee per user or employee, or an hourly rate. In some cases an administrative fee or percentage is also charged. The information provided suggests agencies have made efforts to align their charges with the costs of providing services.

The table below summarizes the number of arrangements in each category between agencies. An agency may provide services to multiple agencies or may receive services from multiple agencies, so the totals do not add up to the number of participating agencies. It is important to note that the definition of services may vary from agency to agency. Individual information on agreements are in the attached spreadsheet.

	# of receiving agencies	# of providing agencies
All administrative services	7	7
Human Resource Services	5	4
Payroll Services	4	3
Finance/Budgeting Services	1	1
Procurement Service	1	1
Information Technology Services	6	4

Note: Services provided by the Department of Human Services to the Oregon Health Authority as part of the reorganization/split in 2011 were not included in the table, but shared service information is listed on a separate tab within the spreadsheet. Additionally core services provided by the Office of the State Treasurer and the Department of Justice (DOJ) were considered out of scope, since providing services to state agencies is a primary function.

Existing Shared Service Work

In addition to the shared services work identified in the budget note DAS has participated in some other efforts that relate to sharing services between agencies. These efforts have primarily been undertaken to help create efficiencies between agencies that have similar administrative functions.

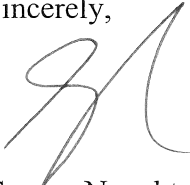
One of these shared services efforts is between the Department of Consumer Business Services, Department of Revenue, and DAS which have an existing agreement to provide staff to host a cross-agency audit during a three-year period. This is an example of a shared service increasing standardization, and where agencies benefit from audit outcomes.

In November 2013, the Improving Government Steering Team sponsored a Payroll Services Consolidation Project, resulting in the co-location of staff from the Department of Revenue, Department of Consumer and Business Services and Department of Justice. To date, this pilot has seen increased standardization in payroll processes, greater alignment of payroll processes to best practices, and cross training of staff in core processes across agencies and functional areas. This tri-agency pilot will continue through June 2017. At that time, a governance team will

determine the success of the pilot based on tracked metrics and position authority will be requested to transfer to DOJ. If the model is permanently adopted, a fee structure will be negotiated between the three agencies.

The Improving Government Steering Team is expected to continue to explore efficiency and opportunity in shared service delivery in 2016. This budget note report will serve as a foundation for that work.

Sincerely,

A handwritten signature in black ink, appearing to be 'GN' or similar initials, written over a light blue horizontal line.

George Naughton
Acting COO and DAS Director

Budget Note Text:

Agencies other than DAS providing administrative services to state agencies.

The Department of Administrative Services shall compile a list of all state agencies receiving administrative support services from an agency other than itself, or the Department of Administrative Services. DAS shall collect information on what services are being provided, how much agencies getting services have agreed to pay and how much the providing agencies expect provision of these services will cost them to provide for provision of each service identified, how long the agency has been using that particular agency for services, and how long those services have been outsourced to any state agency including DAS. The Department shall report on information collected during the 2016 legislative session to the appropriate subcommittee of the Joint Ways and Means Committee.