

Item 41: Department of Administrative Services

Other Funds Rebalance

Analyst: Paul Siebert

Request: Increase Other Funds expenditure limitation by \$6,249,500 for technical adjustments to correct actions taken during the August 2020 2nd Special Session and accommodate increased expenditures by the Chief Human Resources Office and internal information technology support.

Description: The Department of Administrative Services (DAS) is requesting several Other Funds expenditure limitation adjustments to meet increased service needs and to correctly categorize reductions taken during the August 2020 2nd Special Session. During the August 2020 2nd Special Session, the Assembly took a number of actions to rebalance the state budget including reductions to state agency budgets. As part of this exercise, various DAS Other Funds expenditure limitation reductions were taken. Due to an error, proposed reductions in revenue collections from agencies were instead mistakenly characterized as expenditure reductions, which resulted in cuts to Other Funds expenditure limitation that should not have been taken. The incorrect reductions that need to be restored include \$2,288,500 in Enterprise Goods and Services and \$1,902,000 in DAS Business Services. In addition, all of the \$8.2 million in reductions at the State Data Center were taken in Operations when \$3,197,886 should have come from Lifecycle Replacement funding instead.

The Chief Human Resources Office (CHRO) is requesting an increase of \$1,825,000 Other Funds expenditure limitation due to higher than anticipated expenditures. CHRO has been assisting agencies' human resources employees deal with pandemic related activities such as assisting in recruiting and hiring large numbers of employees in several agencies, adjusting human resource policies and contracts in response to the COVID-19 pandemic, and fully implementing and supporting the Workday system across state government. Likewise, DAS Information Technology, which supports the Department's IT needs, experienced a number of unplanned expenditures, most of which were costs for Microsoft M365 cloud services. While DAS was already planning on moving to the Microsoft M365 environment, the pandemic caused the Department to transition earlier than budgeted.

Recommendation: The Legislative Fiscal Office recommends increasing Other Funds expenditure limitation by \$6,249,500 and transferring \$3,197,886 Other Funds expenditure limitation from State Data Center - Equipment Lifecycle to State Data Center - Operations for technical adjustments to correct actions taken during the August 2020 2nd Special Session and accommodate increased expenditures by the Chief Human Resources Office and DAS internal information technology support.

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Department of Administrative Services
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Request: Increase Other Funds expenditure limitation by \$1.8 million for the Office of the Chief Human Resources Officer, increase Other Funds expenditure limitation by \$0.2 million for DAS Information Technology, increase Other Funds expenditure limitation by \$1.9 million for DAS Business Services, and increase Other Funds expenditure limitation by \$2.3 million for Enterprise Goods and Services.

Recommendation: Approve the request.

Discussion: The Department of Administrative Services (DAS) is requesting budgetary adjustments to increase expenditure limitation for programs to address projected shortfalls and to make technical corrections to adjustments made during the 2020 2nd Special Session.

The DAS Chief Human Resources Office has incurred additional expenses over the past year responding to HR needs surrounding the COVID-19 pandemic. This includes interpretation and implementation of legislation included in the Coronavirus Aid Relief and Economic Security (CARES) Act, assisting in the hiring of large volumes of employees, interpreting state HR policies, and maintaining staff with critical expertise in legacy systems. The program is requesting an increase to Other Funds expenditure limitation of \$1,825,000 to address these efforts and has existing revenues to support this request.

DAS Information Technology is requesting additional Other Funds expenditure limitation related to unanticipated software licensing costs incurred in the current biennium. While the program has absorbed a portion of the increased costs through vacancy savings, a projected deficit of \$237,000 remains. The program has existing revenues to support this request.

Additionally, during the 2020 2nd Special Session, several adjustments were made within DAS as cost savings measures to rebalance the state budget. While the majority of the adjustments were reductions to expenditures, specific cost savings actions were intended to reduce DAS billings to other agencies and to utilize cash rebates from State P-Card transactions as General Fund savings. These non-expenditure actions were inadvertently recorded as expenditure reductions during the 2020 2nd Special Session. Restoring the expenditure limitation associated with these adjustments is appropriate.

Legal Reference:

1. Increase the Other Funds expenditure limitation established by chapter 518, section 2(4), Oregon Laws 2019, for the Department of Administrative Services, Chief Human Resources Office, by \$1,825,000 for the 2019-21 biennium.
2. Increase the Other Funds expenditure limitation established by chapter 518, section 2(14), Oregon Laws 2019, for the Department of Administrative Services, Oregon Department of Administrative Services information technology, by \$237,000 for the 2019-21 biennium.

3. Increase the Other Funds expenditure limitation established by chapter 518, section 2(8), Oregon Laws 2019, for the Department of Administrative Services, Business Services, by \$1,902,000 for the 2019-21 biennium.
4. Increase the Other Funds expenditure limitations established by chapter 518, section 2(7), Oregon Laws 2019, for the Department of Administrative Services, Enterprise Goods and Services, by \$2,285,500 for the 2019-21 biennium.
5. Increase the Other Funds expenditure limitations established by chapter 518, section 2(5)(a), Oregon Laws 2019, for the Department of Administrative Services, State Data Center - Operations, by \$3,197,886 for the 2019-21 biennium and decrease the Other Funds expenditure limitations established by chapter 518, section 2(5)(c), Oregon Laws 2019, for the Department of Administrative Services, State Data Center – Equipment lifecycle replacement, by \$3,197,886 for the 2019-21 biennium.



Oregon

Kate Brown, Governor

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November 13, 2020

The Honorable Peter Courtney, Co-Chair
The Honorable Tina Kotek, Co-Chair
Joint Emergency Board Committee
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Department of Administrative Services (DAS) respectfully requests increases to several Other Funds expenditure limitations as well as rebalance of two Other Funds expenditure limitations.

Agency Action

Chief Human Resources Office (CHRO)

The CHRO has been a key partner in priority projects across the enterprise during the 2019-21 biennium. Projects include vital recruitment needs to expedite and hire large volumes of employees in several agencies; imperative work in supporting the enterprise as the state's Human Resource Information System transitioned from project to program; and efforts in responding to policy and contract revisions in response to the global pandemic caused by COVID-19.

The new Human Resources Information System (Workday) is fully implemented. Ongoing personnel costs for the new program were higher than budgeted, and two employees remained in state service due to their expertise in the legacy system to assist in an efficient transition to the new system and to extract and evaluate historical data. Additionally, the CHRO developed and implemented computer based dashboard reporting for the Department of Human Services and the Employment Department to track and reflect surge hiring needs and efforts.

In response to COVID-19, the CHRO conducted research and interpretation of the CARES Act, the federal legislation expanding the Family Medical Leave Act and providing paid time off for those who had symptoms, been exposed, or contracted the Coronavirus. The CHRO worked with agencies, labor partners, and employees to implement workforce strategies such as telework. Staff augmented policies, negotiated Letters of Agreement with labor partners, and held daily (and then weekly) calls with agency human resource staff to support these efforts.

DAS Information Technology (DAS IT)

DAS IT is direct billed for agency software licenses which were unplanned in the 2019-21 budget. A portion of the deficit created through licensing costs has been paid through vacancy savings and reduction of other expenses. The software licenses costs are essential in keeping technology for

DAS and client agencies functioning and maintain a reliable security posture. The majority of costs are for Microsoft M365 and Adobe Creative Cloud licensing.

Second Special Session of 2020 corrections

During the Second Special Session of 2020, the Legislature approved a number of Other Fund expenditure limitation changes for DAS. The department worked closely with the Legislative Fiscal Office and the Chief Finance Office on both expenditure and revenue reduction proposals.

Due to a technical error, some of the proposed revenue reduction actions were adopted as expenditure limitation reductions. Therefore, DAS does require restoration of the expenditure limitations that were inadvertently reduced during the special session.

- In Enterprise Goods and Services (EGS), the revenue reductions come in the form of not invoicing customer agencies for one quarter of Financial Business Systems charges (\$1,048,500) and three months of Shared Financial Services charges (\$1,240,000). EGS is able to pass these revenue reductions to state agencies as savings without reducing any services provided.
- In Business Services, the additional cash received for the annual SPOTS (State P-Card of Oregon Transaction System) rebate revenue was intended to increase the cash transfer from the agency's operating fund to the General Fund for general governmental purposes.

In the State Data Center (SDC), the Committee approved a one-time \$8.2 million Other Funds expenditure limitation reduction. Part of this reduction (\$3,197,886) should have been applied to the SDC Lifecycle Equipment appropriation but the entire expenditure reduction was erroneously applied to SDC Operations appropriation.

Action Requested

The Department of Administrative Services respectively requests the Emergency Board to increase Other Funds expenditure limitations as shown in the table below:

Division	Other Funds
Chief Human Resources Office	+\$1,825,000
DAS IT	+\$237,000
Enterprise Goods and Services	+\$2,285,500
Business Services	+\$1,902,000

In addition to the above increases, the Department of Administrative Services respectively requests the Emergency Board to transfer available Other Funds expenditure limitations as shown in the following table:

Division	Other Funds
State Data Center – Operations	+\$3,197,886
State Data Center – Equipment Lifecycle	-\$3,197,886

Legislation Affected

Increase or transfer the Other Funds expenditure limitations established by Chapter 518, Section 2, Oregon Laws 2019, for the 2019-17 Biennium as follows:

Division	Chapter	Section	Rebalance Adjustments	Increase Limitation	Total Adjustment
Chief Human Resources Office	518	2(4)		\$1,825,000	\$1,825,000
State Data Center - Operations	518	2(5)(a)	\$3,197,886		\$3,197,886
State Data Center - Equipment Lifecycle	518	2(5)(c)	(\$3,197,886)		(\$3,197,886)
Enterprise Goods and Services	518	2(7)		\$2,285,500	\$2,285,500
Business Services	518	2(8)		\$1,902,000	\$1,902,000
DAS Information Technology	518	2(14)		\$237,000	\$237,000
			\$0	\$ 6,249,500	\$ 6,249,500

Sincerely,

Katy Coba

DAS Director | Chief Operating Officer

CC: Dustin Ball, Department of Administrative Services
Paul Siebert, Legislative Fiscal Office