

Representative Jason Murphey
Phone 405.557-7350
Jason.murphey@okhouse.gov



Committee Chair
Government Modernization,
Transparency and Accountability

Oklahoma House of Representatives

Oklahoma State Capitol
2300 N. Lincoln Blvd., Room 437
Oklahoma City, OK 73105

CENTRAL SERVICES CONSOLIDATION Study

Date: Friday, December 3, 2010
Time: 10:00 a.m. to 12:00 p.m.
Place: Room 432 A

*Thank you for your interest in this study.
For additional digital copies of this informational packet,
please email jason.murphey@okhouse.gov or call 557-7350.*

Introduction

The purpose of this report is to document any benefits which could be realized on behalf of Oklahoma taxpayers through the consolidation of Oklahoma's central services agencies.

The need for agency consolidation was documented in a 2007 study which was conducted at the request of Speaker Lance Cargill. Cargill commissioned the study to provide an overview of the size of Oklahoma's agency level infrastructure when compared to that of agencies, boards and commissions in states of similar size and budget.

The 2007 study found that when compared to other states of similar size, Oklahoma has an extreme number of agencies, boards and commissions (ABCs) and that the number of ABCs was at that time the highest in Oklahoma's history.

In 2010, as state government revenues declined, the need for agency consolidation received additional attention. During the 2010 legislative session, a series of bills received consideration by the House which proposed numerous agency consolidations. However, the bills either failed to gain legislative approval or were vetoed by the Governor.

The scope of this study is limited to analyzing the benefits of consolidating Oklahoma's central service agencies.

If acted upon, this consolidation would set the precedent for further consolidations among those agencies that share a similar mission or deal mostly with related subject matter.

Oklahoma Central Services Agencies

Oklahoma's state government contains a series of agencies which provide centralized services to state agencies and state employees:

- The *Department of Central Services (DCS)* provides state agencies with purchasing assistance, fleet management, facilities management and printing services.
- The *Office of State Finance (OSF)* accommodates the needs of agencies through the provisioning of shared financial, information technology and human resource services, including the hosting, development and support of the state's enterprise software systems.
- The *Office of Personnel Management (OPM)* provides agencies with shared human resource services.
- The *Employees Benefits Council (EBC)* manages Oklahoma's state employee benefits on behalf of state agencies.
- The *Merit Protection Commission* assists agencies and state employees with human resource issues.
- The *Oklahoma State Employee Education and Group Insurance Board (OSEEGIB)* manages the state's self-funded preferred provider organization insurance plan on behalf of state, education and local government employees.
- *Retirement plans* of Oklahoma's state employees are managed by a series of retirement system organizations.
- The *Archives and Records Commission* and the *Department of Libraries* are responsible for the proper disposition of state agency records.

Benefits of Central Services Consolidation

Consolidating some or all of these agencies presents state policy leaders with the opportunity to realize greater efficiency and cost savings through the streamlining of services.

Recent efforts by the Legislature have placed an emphasis on expanding the state's shared services offerings. In 2009 we established a centralized information technology shared services platform, and in 2010 we attempted to expand financial shared services, although that measure was vetoed by the Governor.

The consolidation of central services agencies would enable legislators to continue to build on the state's shared services framework while providing state agencies the opportunity to access shared services through the convenience of a one-stop shop.

Currently, state employees must access multiple bureaucracies in order to take advantage of a state shared service. For instance, a state purchasing officer wishing to order a technology item must receive approval or assistance from both the Office of State Finance and the Department of Central Services. A consolidated shared services agency would mean that state employees would only be required to deal with one of these state bureaucracies.

Current competing shared services offerings do not necessarily become reportable through universal standardized performance metrics. This makes it difficult to know which shared services are providing the best savings and service to state agencies. For instance, the Office of Personnel Management and the Office of State Finance provide almost identical shared financial services -- and agencies are then forced to choose which agency to use.

The consolidation of shared services would reduce redundant or duplicated offerings between agencies and allow for a standardized set of metrics to measure performance of all services in an equalized manner.

In the event that the consolidation of central services offering takes place under the auspices of an at-will appointment by the Governor, the Governor would be endowed with the ability to immediately address less than optimal performing processes. This authority would allow the Governor to quickly settle inter-agency disputes and bring quick resolution to inter-agency bureaucratic red-tape which slows down vital processes.

The central services agencies referenced in this report are the recipients of approximately \$53 M of appropriated funds during each fiscal year.

A 20% savings mandate achieved through increased administrative, payroll and overhead efficiencies would yield an annual savings of \$10.6 M.

This does not account for the potential savings which could be earned through the consolidation of fee-based services.

Central Services Consolidation in Other States

Indiana

The Indiana State Personnel Department is responsible for providing human resource services. The focus of the agency is not limited to hiring, but extends also to the provision of employee benefits services, including the highly successful Indiana Health Savings Account offering and access to a preferred provider organization plan managed by Anthem Blue Cross. In addition, the department is charged with duties related to merit protection - with the Indiana State Employees' Appeals Commission being appropriated as a line-item under the State Personnel Department's budget.

In effect, with just one agency, Indiana appears to provide a comparable level of service to that which is provided by four Oklahoma agencies: OPM, EBC, OSEEGIB and Merit Protection Commission (<http://www.in.gov/spd/>).

Montana

The state of Montana organizes most of its central services offerings as divisions under a single department known as the Administration Department. It appears as if most, if not all, of the services provided by the Oklahoma central service agencies listed in this report are provided in Montana under the administration of this one department (<http://mt.gov/govt/agencylisting.asp>).

Utah

Utah's Administrative Services Department includes purchasing, facilities management, finance, fleet management, finance and archives. It appears that this one department includes many of the functions that are distributed among Oklahoma's Department of Central Services, Office of State Finance and Department of Libraries (<http://www.utah.gov/government/agencycomplete.html>).

Arkansas

The Arkansas Department of Finance and Administration is charged with providing Arkansas state agencies with finance, human resource and procurement assistance, in addition to providing the citizens of Arkansas with a host of other tax collection and licensing processes. The agency contains functions which are provided by three Oklahoma agencies: Department of Central Services, Office of Personnel Management and Office of State Finance (<http://www.dfa.arkansas.gov/Pages/default.aspx>).

Conclusion

The consolidation of central services agencies provides legislators with the opportunity to eliminate redundancy and bureaucratic red tape while providing the opportunity to migrate to a one-stop shared services model. A shared services model can provide vital services to state agencies and allow those agencies to focus on their core mission.

The administrative, personnel and overhead savings realized through the consolidation will be substantial, and will drive down the cost of government to Oklahoma taxpayers.

The example set by this consolidation would establish the precedent for future agency consolidations of agencies having similar missions and which deal with similar subject matter.