

Department of Administrative Services

A best practice for public organizations is separating "steering" and "rowing" functions. "Steering" functions are policymaking and direction. "Rowing" provides direct services. Steering and rowing call for very different skill sets and organizations perform best when they can concentrate on one.

The following rowing functions are proposed to form a new Department of Administrative Services (DAS):

1. Department of Personnel,
2. Department of General Services,
3. Information Technology Department,
4. Iowa Communications Network, and
5. the accounting division of the Department of Revenue & Finance.

Responsive and excellent customer service at the lowest cost

will be the new department's mission. The four new divisions of DAS – Human Resources, Physical Resources, Financial Administration, and Information Technology – will negotiate performance agreements with their customers and build capacities to continuously improve service.

The new department will also be charged with the responsibility of continuing to evolve over the next several years. Later phases of the department's development will focus on becoming more responsive to customers and more efficient through the adoption of "entrepreneurial management." Merging the Department of Management, a steering organization, into the new department is planned for a later phase. Extensive co-location is not planned at this time.

Savings of \$3.1 million will result in FY 2003. Additional savings will follow in out-years as services and operations are further streamlined, redesigned, and moved to a more entrepreneurial footing.

Results: A consolidated Department of Administrative Services

- streamlines state government,
- saves \$3.1 million in FY '03, with additional savings in later years,
- unifies and focuses management systems in state government,
- adds flexibility to move resources to where they are most needed,
- fosters a stronger customer orientation and lower costs for other agencies,
- improves span of control and flattens the hierarchy,
- begins to separate "steering" and "rowing" functions, and
- prepares the way for further savings and enhanced customer service as the new department and its business units continue to evolve.

Entrepreneurial Management

and the Department of Administrative Services (DAS)

Entrepreneurial management is a methodology that transforms state government's internal service work units. Currently, the structure, funding, rules, and incentives for these work units do not foster a customer orientation or continuous cost control. The status quo leads us too often in the opposite direction.

Entrepreneurial management changes the focus from regulation to quality service and lower costs. Entrepreneurial management means transforming work units into one of two kinds of more autonomous business units:

"Utilities" are work units on revolving funds functioning much like cooperatives, with the internal customers as the guiding cooperative members, negotiating service levels and rates and benefiting from standardization and economies of scale. Customers may be required to purchase a base-level of service, with additional increments of service optional. Likely examples: e-mail, mainframe services, and procurement.

"Marketplace services" function as relatively independent business units within government, earning their revenues from their customers by being cost-competitive and responsive. To the greatest extent possible, these enterprises are freed of bureaucratic requirements and can build their businesses within state government, including acquisition of work from other governmental jurisdictions. Conversely, customers are free to choose their provider, from the public or private sector. Likely examples: printing/copying, collections, IT application development, and recruitment.

Other jurisdictions have realized substantial savings from adopting entrepreneurial management for internal services. Utilities and marketplace service units give up direct appropriations funding and in return receive the flexibility and freedom to operate more as independent businesses within state government. Their customers have a much greater say in the quantity and quality of services they receive and usually enjoy lower costs, which enable them to improve efficiency and service quality for the lowans they serve.

DAS starts with a consolidation of IDOP, DGS, ITD, ICN, and the financial administration division of DRF. DAS then moves in phases over three years toward an ultimate vision of one small "steering" agency guiding the internal management of state government, primarily through clusters of "rowing" "utilities" and "marketplace services."

Department of Administrative Services

Implementation Plan

Phase I (FY03)

- Form a new administrative "rowing" agency by combining IDOP, DGS, ITD, ICN, and the accounting division of DRF. The new agency, DAS, shall have no more than three levels of management and strive to meet the span of control goal of 12:1.
- Provide information to employees and stakeholders, explaining the rationale, long-term goals, benefits, and phased implementation. Engage employees and stakeholders in a dialogue on common issues.
- Negotiate performance agreements with customers.
- Begin coordinating "steering" functions with IDOM. Build toward a more integrated and results-oriented management system.
- Build capacity for entrepreneurial management. Business units may choose to initiate moves to "utilities" and "marketplace services" in FY '03.

Phase II (FY04)

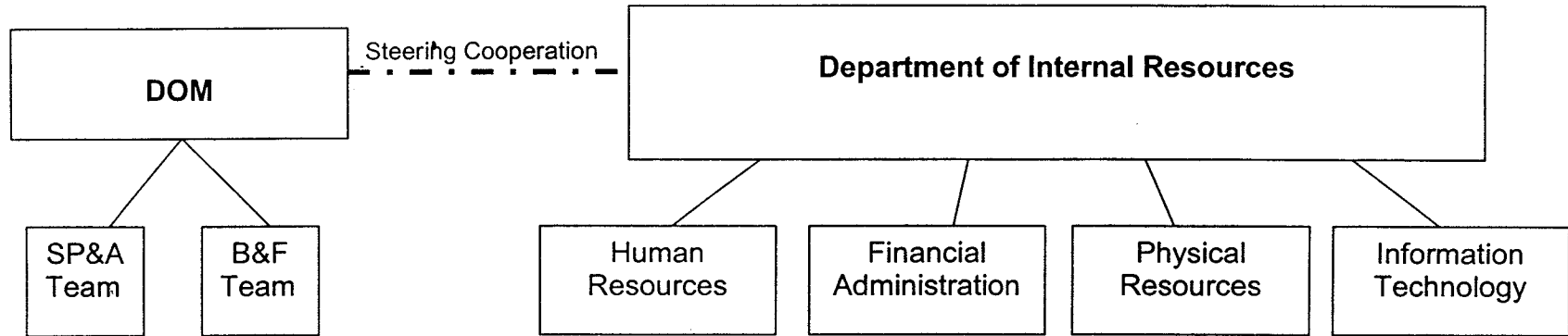
- Move many business units to utilities and marketplace services, as most appropriate.
- Shift the funding for the remainder of appropriate business units to a services purchasing committee or committees representing customer agencies.
- Continue informational activities and dialogue.
- Continue to integrate DAS and IDOM steering functions.

Phase III (FY05)

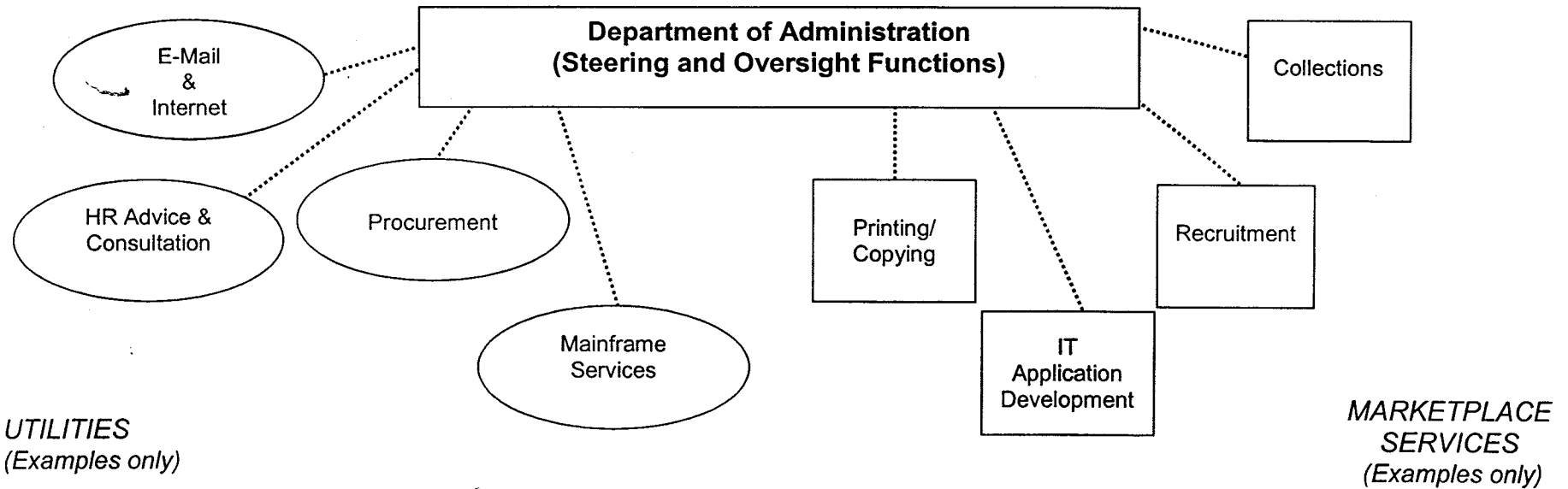
- Move remaining appropriate business units to utilities and marketplace services.
- Merge IDOM and DAS into a single steering department, associated with the clusters of utilities and marketplace services.

IMPLEMENTATION PATH FOR THE NEW ADMINISTRATIVE AGENCY

INITIAL STRUCTURE:



ULTIMATE STRUCTURE:



Savings Estimate

The Blue Book, at page seven, shows the Governor's recommended budgets for each of the agencies proposed to be merged into DAS. These numbers are totaled and \$3.1 million in savings to be achieved by the consolidation is subtracted to show a proposed DAS budget of about \$17 million. A decision package for \$116,000 and two FTEs is also included to provide for a Government Improvement/ program audits implementation coordinator.

The \$3.1 million savings estimate for the Department of Administrative Services consolidation comes from three sources, outlined below. The new Director and new agency management team will make final decisions about how best to meet the savings target.

1. **Eliminating duplicated administrative positions** (some administration division administrator, public information officer, and legislative liaison positions, for example). The initial estimate of \$2.22 million was lowered by \$200,000 to account for savings recently achieved through the 4.3% cut. This number was also reduced by \$100,000 to replace IPERS funds scheduled for phase out on July 1, 2002, leaving **\$1.92 million** from this source.
2. **Consolidating ICN with the other agencies, particularly with ITD.** This source was estimated in the Enterprise Planning Team process in the form of consolidating ITD and ICN. The initial estimate of \$2.07 million was lowered by \$1.32 million to account for overlap with the administrative savings described above and to account for savings achieved through the 4.3% cut, leaving **\$750,000** from this source.
3. **Reduce management layers to three.** Enterprise Planning Team staff attempted to identify positions that might be eliminated to achieve three layers of management, yielding an estimate of **\$430,000**. This estimate is necessarily rough because the new agency will be allowed to determine how to reach the three layers. Additional savings potential may exist in meeting the 1:12 span of control goal.

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|----------------|
| \$ 1,920,000 |
| 750,000 |
| <u>430,000</u> |
| \$ 3,100,000 |

Excluding the ICN substantially reduces potential savings. Backing the ICN out of the three sources above yields the following:

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|----------------|
| \$ 150,000 |
| N/A |
| <u>350,000</u> |
| \$ 500,000 |

Department of Administrative Services

Questions and Answers

Why was this consolidation proposed?

The Governor proposed consolidating the administrative functions in state government as a way to streamline state government, save money, and improve services to departments. The consolidation also paves the way for more entrepreneurial development in the new department.

What functions will be included in the new department?

The entire Departments of Personnel, General Services, Information Technology, Iowa Communications Network, as well as the accounting functions from the Department of Revenue and Finance are included in the new department.

How will the new department be organized?

There will be four divisions (Human Resources, Physical Resources, Information Technology, and Financial Administration), no more than three levels of management, and the span of control will be approximately 1:12.

Does this proposal change the status of IPERS or its relationships?

No. This proposal preserves IPERS current status, including the changes effective July 1, 2002.

How were the \$3.1 million FY '03 savings estimated?

This estimate is based on (1) eliminating duplicated central administrative positions (some public information officer and legislative liaison positions and duplicated positions in current departmental administration divisions, for example); (2) reducing management layers to three; and (3) including ICN in the consolidation. Additional savings potential may exist in meeting the 1:12 span of control goal. The savings estimate was reduced to replace IPERS funds scheduled for phase out on July 1. The new Director and new agency management team will make final decisions about how best to meet the savings target.

Who will be the new Director?

The Director has not been identified; current Directors will be considered if they are interested.

Will the new division administrators be appointed by the Governor or by the Director?

The Director, in consultation with the Governor.

To whom will the new division administrators report?

Generally, they will report to the Director. They will report to the Governor in selected situations, e.g. collective bargaining, CIO role.

Who will be responsible for collective bargaining?

The human resources division administrator will be the chief bargaining authority.

Will the new department's employees be merit covered and contract covered?

Yes, except the confidential positions as described in Chapter 20.

Will all the IT staff from all the old departments be rolled together?

The new department's management team will make these decisions.

Will planning for the new department begin even though the legislation has not yet been approved?

Yes. The Governor will soon appoint co-chairs for an implementation team, which will include representatives from the new agency's customers, to work on planning. This team will also address interim questions that need answers over the next several months.

Will the Department of Management be added to the new agency?

IDOM will likely be added in a later phase of the new department's entrepreneurial evolution. This addition could occur as early as FY04 or FY 05.

Why isn't IDOM included now?

IDOM's primary "steering" role is not consistent with the primary "rowing" role of the proposed new agency.

Since the ICN director is currently appointed by the ITTC council, will this change to an appointment by the Director or Governor?

The Governor proposes that the new Director, in consultation with the Governor, appoint the information technology division administrator, who in turn will manage the resources now found in ITD and the ICN.

Will the old departments physically move so the new department can be located together in one place?

Extensive co-location is not anticipated at this time.