
SF 396 – Government Efficiency Act

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Fiscal Note Version – Final Action

Description

Senate File 396 makes numerous changes to the operation of state government agencies. The changes by division include:

Division I – Office of Information Technology:

- Establishes the Office of Information Technology as an independently operated entity within the Department of Administrative Services (DAS). Requires the DAS to continue providing administrative support services for the office.
- Provides the Chief Information Officer (CIO) of the Office of Information Technology additional control over the management of information technology (IT) staff employed by other state agencies, including how the other agency IT employees are assigned relative to IT services and the approval of employment decisions of IT employees of other state agencies. This Act requires the CIO to work in consultation with the participating agencies concerning management and employment decisions of IT staff.
- Requires IT for use by other state agencies and entities to be approved by the Office of Information Technology.
- Requires agencies to provide necessary information to the office concerning IT inventories, operational requirements, and security functions.
- The Board of Regents and the Regents institutions are exempt from the IT consolidation initiative.

Division II – Phased Retirement: Amends the voluntary employee Phased Retirement Program administered by the DAS. The changes eliminate the 10.0% salary premium requirement that is paid to employees newly enrolled in the program. Allows employees currently enrolled in the program as of the effective date of this Act to maintain their current benefits of the program. The Act also repeals an obsolete standing appropriation from the Iowa Public Employees Retirement System (IPERS) for the program.

Division III – Human Resources Consolidation: Requires the DAS to develop and implement a plan to centralize all Executive Branch human resources (HR) management functions within the department and requires all state agencies, except the Board of Regents, to cooperate with the DAS consolidation efforts. Requires the DAS to select and implement a new state payroll system for Executive Branch agencies, except the Board of Regents. Requires the DAS to issue a request for proposals (RFP) for a human resources management system, including a payroll system, by December 31, 2013. *The Governor item vetoed the requirement that the DAS issue an RFP for a human resources management and payroll system. Although the Governor vetoed the requirement in the Act, the DAS is not prohibited from moving forward with an RFP.*

Division IV – State Physical Resources: Requires the DAS to complete a needs analysis of state employee work stations and office standards by September 30, 2013, and submit the findings to the Capitol Planning Commission and the Legislative Fiscal Committee by October 30, 2013.

Division V – Audits: Prohibits the Auditor of State from collecting a filing fee for audit work from community mental health centers, substance abuse programs, and community action agencies. This language conforms to current practice as the Auditor does not currently collect fees from these organizations.

Division VI – Electronic Communications: Amends the confidential public records statute to include e-mail addresses of individuals collected by state agencies for the sole purpose of disseminating routine information through electronic communications not prepared for a specific recipient. Requires state agencies to distribute notices and information electronically to the fullest extent possible. This requirement does not apply to notices concerning legal action or requirements relating to compliance with federal law.

Division VII – Public Health: Eliminates the System Evaluation and Quality Improvement Committee, under the purview of the Department of Public Health (DPH), and consolidates responsibilities with the Trauma System Advisory Council. Eliminates the Abuse Education Review Panel and assigns the responsibilities of the review panel to the Department of Public Health. Eliminates the Hemophilia Advisory Committee; however, the duties of the Committee shall remain with the DPH.

Division VIII – Public Safety Communications: Requires each E911 service board to designate a person to serve as a single point-of-contact to communicate the needs and issues concerning emergency communications, interoperability, and other matters applicable to E911 communications, including the migration to an internet protocol-enabled next generation network.

Division IX – State Debt Coordinator: Requires the Department of Revenue to develop proposals to make the Office of State Debt Coordinator more efficient and submit a report of the recommendations to the Department of Management, the Governor, and the General Assembly by January 13, 2014.

Division X – Ongoing Program Review: Requires the State Government Efficiency Review Committee to regularly review programs administered by the state to determine if programs are meeting the needs as designed and whether or not the programs could be modified to be more efficient.

Division XI – Boards and Commissions: Repeals the Farm-to-School Council that was originally created to establish partnerships with public agencies and nonprofit organizations to facilitate communication between farmers and schools.

Division XII – Obsolete Provisions: Repeals obsolete language pertaining to the Farmworks National Demonstration Project, the World Trade Center, and the Midwest Nuclear Compact.

Fiscal Impact

Summary: The fiscal impact of [SF 396](#), prior to the Governor's item vetoes, is estimated to reduce costs of state agencies by \$1.9 million in FY 2014 and a reduction 34.0 FTE positions. In FY 2015, costs are estimated to increase to \$3.1 million due to an investment in a HR

Management System (HRMS) designed to build additional efficiencies into the operations of state government. The savings associated from the HRMS will be achieved in FY 2016 and subsequent fiscal years. The net fiscal impact in FY 2016 and beyond is estimated to be \$422,800, including a reduction of 48.0 FTE positions. The table below provides additional information on the fiscal impact of [SF 396](#).

Senate File 396 - Estimated Fiscal Impact			
	FY 2014	FY 2015	Impact in Subsequent Fiscal Years
Phased Retirement	\$ -18,000	\$ -18,000	\$ -18,000
<u>HR Consolidation</u>			
Phase I	-2,059,802	-2,059,802	-2,059,802
Phase II		-220,000	-220,000
Phase III/HRMS Efficiencies		-1,125,000	-1,125,000
Subtotal HR Consolidation	<u>-2,059,802</u>	<u>-3,404,802</u>	<u>-3,404,802</u>
HRMS Request for Proposals	150,000		
<u>HR Management System/Services</u>			
Implementation Fee (One Time)		3,500,000	
Annual Cost of SaaS		3,000,000	3,000,000
State Physical Resources Study	10,000		
Total Impact	<u>\$ -1,917,802</u>	<u>\$ 3,077,198</u>	<u>\$ -422,802</u>
FTE Positions (numbers are cumulative)	-34.0	-48.0	-48.0
HRMS = Human Resources Management System			
SaaS = Software-as-a-Service			

Impact by Division:

Division I: The creation of the Office of Information Technology together with the expanded authority of the office is anticipated to expedite the consolidation of IT services of executive branch agencies. Much of the savings will be achieved by reducing duplicated services and enabling unified IT investment decisions for the executive branch. Additionally, the savings are dependent on an up-front investment of IT infrastructure to enable more efficient processes related to IT usage to be implemented with fewer employees. The DAS began the process

of IT consolidation in 2011 as required in Iowa Acts, [Chapter 1031](#) (SF 2088 State Government Reorganization Act). The long-term projected annual savings to state government is estimated at \$11.8 million ([DAS IT Consolidation Report](#)).

Division II: The changes to the voluntary Phased Retirement Program are estimated to result in a cost avoidance of \$18,000 annually to the state. The funding sources impacted by this provision will depend on the fund from which future participants' salaries are paid.

Division III: According to the department's tentative plans, the HR consolidation will be implemented in three phases over three fiscal years.

- Phase I: Consolidation of human resource associates and personnel assistants (technical staff) into the DAS HR enterprise.
- Phase II: Consolidation of professional staff responsible for compensation, labor relations, workers' compensation, and general consultation services into the DAS HR enterprise.
- Phase III: Consolidation of professional staff responsible for recruitment, nonmerit selection, affirmative action, discrimination and harassment investigations, civil rights, workforce, and diversity planning. Also included in phase III are additional savings associated with the acquisition of a Human Resources Management System (HRMS)/payroll system to replace the current mainframe system that was purchased in the 1980s. The acquisition of an HRMS is contingent on the Department receiving funding through either a utility fee increase on state agencies approved by the state customer council or an appropriation from the General Assembly.

Division III Assumptions

- The estimates associated with the reduction of HR costs are based on research conducted by the DAS in 2010 and updated in 2011. The savings to the state's HR functions will result from the elimination of positions assigned to HR.
- Phase I will result in the consolidation of HR services of 16 state agencies into the DAS HR enterprise in FY 2014, resulting in a decrease of 34.0 FTE positions with an average salary and benefit cost per FTE of \$60,582.
- Phase II will result in the reduction of 4.0 FTE positions with an average salary and benefit cost per FTE of \$55,000 in FY 2015.
- Phase III will result in the reduction of 10.0 FTE positions in FY 2015, with an average salary and benefit cost per FTE position of \$112,500. To accomplish Phase III of the HR consolidation, the DAS plans to acquire an HRMS/payroll system to replace the current mainframe system. The initial implementation fee of a new system is estimated to cost between \$3.0 million and \$4.0 million. An annual fee of \$2.0 million to \$4.0 million will be required to maintain the system. It is assumed that the cost to purchase the HRMS/payroll system will be assessed to state agencies through a utility fee established by the state's customer council. For purposes of this fiscal note, the midpoint of the above estimated ranges are used. However, if the customer council were not to approve a utility fee increase, then the department would either need to receive an appropriation from the General Assembly or not move forward with purchasing or leasing a new system.
- Many of the employees currently performing HR functions in state agencies split their duties between HR and other core functions of the departments. The HR consolidation may allow state agencies to reassign existing resources and positions currently used for HR

purposes to other program areas associated with departments' missions. As a result, a portion of the expenditure reductions associated with HR consolidation could be offset through the reassignment employees that currently spend only a portion of their time performing HR work to other areas within the agencies.

Division IV: The DAS has indicated they may need to hire a consultant at an estimated cost of \$10,000 to complete the state employee work station analysis. The cost of the study will be funded with internal resources of the department.

The remaining divisions of [SF 396](#) will have no or little fiscal impact.

Veto

The Governor vetoed provisions of [SF 396](#) requiring the director of the DAS to issue an RFP for a new HR Management System including a requirement that the DAS purchase a new payroll system for the Executive Branch. The Governor stated that many efficiency and cost-control measures are currently being implemented by departments and a mandate to purchase a payroll system at this time is inappropriate. The Governor's item vetoes of these provisions may reduce the savings associated with the HR consolidation that are related to efficiencies of purchasing a new HR Management System. However, the impact cannot be determined as it is uncertain how the DAS will proceed with implementing the consolidation.

The Governor also vetoed a requirement that prohibits noncontract employees from bumping contract employees in the case of a reduction in force. The Governor stated that in order to achieve increased efficiencies within state government he is committed to finding areas to consolidate duplicative efforts, and in doing so, ensure that various classifications of employees are treated fairly.

Effective Date

This Act is effective on July 1, 2013.

Enactment Date

This Act was approved by the General Assembly on May 16, 2013, and item vetoed and signed by the Governor on June 20, 2013.

Sources

Department of Administrative Services
Department of Public Health