



Downsizing Project Management Services Produces Savings, Few Adverse Effects

at a glance

Prior to 2001, the Department of Management Services' Division of Building Construction was authorized to oversee construction projects for local governments. The 2001 Legislature eliminated this authority to avoid competition with the private sector. As a result of this action, and a corresponding decline in the value of state construction projects, the Legislature cut program positions. These changes have had three primary results.

- The savings from position cuts more than offset the revenue lost by discontinuing local government projects.
- Remaining program project managers have a manageable workload.
- Local governments report few adverse effects from the elimination of state construction management assistance.

Purpose

Pursuant to ss. 11.513 and 11.45, *Florida Statutes*, the Director of the Office of Program Policy Analysis and Government Accountability initiated this project in response to a legislative request to examine the impact of the repeal of s. 255.31(3), *Florida Statutes*, on

state and local governments. This law had authorized the Department of Management Services to contract with local governments to provide construction project management services.

Background

The Division of Building provides project oversight for fixed capital outlay projects appropriated to the Department of Management Services (DMS) and to other state agencies that elect to use DMS project management services. The division collects fees for these services and deposits these fees into the Architects and Incidental Trust Fund. No direct general revenue appropriations are used to support the building construction program.

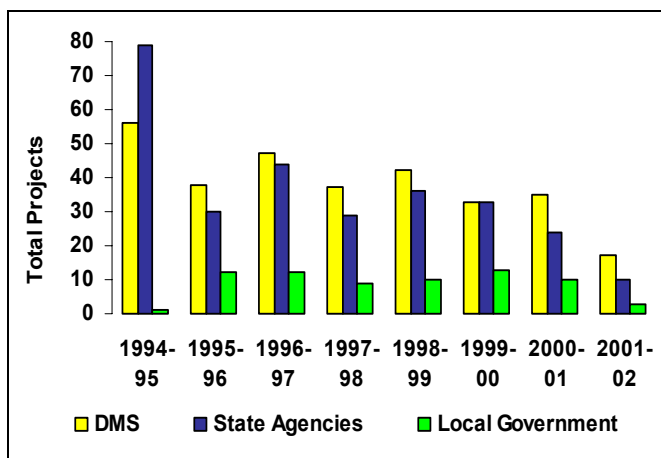
In 1992, the Legislature authorized DMS to enter into contracts with municipalities, school districts, and community colleges to provide construction project management services. In addition, in 1998, the Legislature appropriated seven positions to the division for the "Smart School" initiative. This initiative, part of the Legislature's response to a shortage of classroom space in Florida's schools, was intended to help school districts design and build cost-effective school buildings.

Local governments and school districts subsequently contracted with the division to oversee new building projects as well as the renovation, repair, modification, and demolition of existing buildings, parks, parking lots, and other facilities. The division managed these local projects in addition to its state building construction workload.

Over time, local government demand for the division's construction project management services has declined, as have the fee revenues the division earned providing these services. As shown in Exhibits 1, while some local governments and school districts used the division's services, the number of such projects was relatively small. Exhibit 2 shows the revenue collected by the division for local government projects peaked in Fiscal Year 1995-96 and declined thereafter.

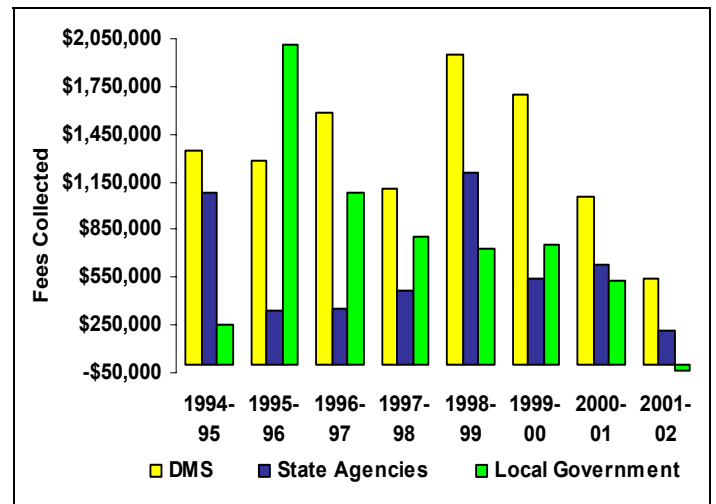
In recent years, the number of state building construction projects managed by the division also declined, as did its revenues for the state projects. This decline in state building construction reflected the state's efforts to control growth in its workforce through increased privatization and outsourcing, which reduced the need for additional state-owned buildings.

Exhibit 1
The Number of DMS-Managed Projects Has Declined in Recent Years



Source: Department of Management Services records.

Exhibit 2
Fee Revenues from Projects Managed by DMS Have Declined



Note: For Fiscal Year 2000-01, the negative fee reflects credit issued to the client for cancellation of DMS services.

Source: Department of Management Services records.

Responding to these trends, the Legislature cut program positions from a high of 60 in 1998 to the current 12 positions in Fiscal Year 2002-03. Along with these position cuts, and in an effort not to compete with private construction management firms, the 2001 Legislature eliminated the division's authority to provide these services to non-state entities.

Findings

The repeal of s. 255.31(3), *Florida Statutes*, has refocused the program back to its core mission of managing state construction projects. Three primary results have occurred.

- The savings from position cuts more than offset revenues lost by discontinuing local government projects.
- Remaining project managers have a manageable workload.
- Losing access to DMS services has resulted in few adverse effects for local governments and school districts.

The savings from position cuts more than offset revenues lost by discontinuing local government projects

While the division lost the fee revenue it collected for managing local government projects, these lost revenues have been more than offset by savings resulting from position cuts. Revenues from local governments averaged \$764,983 annually for the period 1994-95 through 2001-02. Losing these revenues is offset, however, by the decrease in operating costs the division achieved through cutting positions to 12. For example, salaries and benefits costs decreased from the high of \$3 million in 1998-99 to \$0.8 million in 2002-03, a difference of \$2.2 million. Confining work to state projects and reducing the number of division employees better reflected demand for the division's services and reduced division costs.

Remaining program project managers have a manageable workload

Although remaining project managers are currently working at somewhat more than their stated maximum workload capacity, program officials indicate that project managers will be able to complete local and state government projects already in progress. When local projects are completed, and based on current trends, officials estimate the current division size of 12 should be sufficient for future state projects.

Presently, each project manager oversees an average of 13 projects, each with an average value of \$2.7 million. Six of the total 67 projects currently managed by DMS are for local governments. Officials indicate that completion of these projects, the last of which will be done by May 2005, will free project managers to handle subsequent new state construction and major renovations.

Losing access to DMS services has resulted in few adverse effects for local governments and school districts

Local government organizations we contacted reported that the repeal of DMS' authority to manage their construction projects has not produced adverse effects for their constituents. The Florida League of Cities, the Florida Association of Counties, the Florida School Board Association, and the Florida Association of District Superintendents all indicated that the local governments they represent have not reported problems stemming from the elimination of the DMS service.

Constituents for these associations indicated that while there was some concern that private sector firms would charge higher prices for project management services than had DMS, such problems have not been realized. Some local governments had started their own in-house project management teams, some of which had benefited from DMS training. This suggests that while it had been beneficial for DMS to provide construction management services and training in the 1990s, this service was no longer needed.

Conclusion

The need for DMS project management services has declined as has the number and size of projects the division manages. Reducing the number of project managers has enabled the Division of Building Construction to better match its workforce with the demand for these services and has reduced state costs. Eliminating local government access to the division's construction management services appears to have had little impact on local governments. These local governments are now using private sector construction management firms or have created their own project management teams.

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



Visit the [Florida Monitor](http://www.oppaga.state.fl.us), OPPAGA's online service. See <http://www.oppaga.state.fl.us>. This site monitors the performance and accountability of Florida government by making OPPAGA's four primary products available online.

- [OPPAGA publications and contracted reviews](#), such as policy analyses and performance reviews, assess the efficiency and effectiveness of state policies and programs and recommend improvements for Florida government.
- [Performance-based program budgeting \(PB²\) reports and information](#) offer a variety of tools. Program evaluation and justification reviews assess state programs operating under performance-based program budgeting. Also offered are performance measures information and our assessments of measures.
- [Florida Government Accountability Report \(FGAR\)](#) is an Internet encyclopedia of Florida state government. FGAR offers concise information about state programs, policy issues, and performance. Check out the ratings of the accountability systems of 13 state programs.
- [Best Financial Management Practices Reviews of Florida school districts](#). In accordance with the *Sharpening the Pencil Act*, OPPAGA and the Auditor General jointly conduct reviews to determine if a school district is using best financial management practices to help school districts meet the challenge of educating their students in a cost-efficient manner.

Subscribe to OPPAGA's electronic newsletter, [Florida Monitor Weekly](#), a free source for brief e-mail announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

Florida Monitor: <http://www.oppaga.state.fl.us/>

Project supervised by Kathy McGuire (850/487-9224)

Project conducted by Linda Vaughn (850/487-9216)

John Turcotte, Director (850/488-0021)
