THE FLORIDA LEGISLATURE Report No. 96-11

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

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September 30, 1996

FOLLOW-UP REPORT ON THE IMPACT OF THE CREATION OF THE DEPARTMENT OF MANAGEMENT SERVICES

REVIEW ABSTRACT

The Legislature should require future reorganization proposals to include a feasibility study, and should target spending reductions at the organizational units that will be directly affected by the reorganization.

PURPOSE

Section 11.45(7)(f), F.S., requires agencies to inform us of actions they have taken in response to our recommendations within 18 months of the release of our reports. This follow-up report presents our assessment of the status of recommendations we made to the Department of Management Services in our Report No. 94-30, dated February 22, 1995.

BACKGROUND

The Department of Management Services (DMS) was created by a merger of two former agencies: the Department of Administration (DOA) and the Department of General Services (DGS). The merger was effective July 1, 1992. DOA's responsibilities included representing the Governor in collective bargaining activities and administering the state personnel systems, employee benefit programs, and retirement systems. DGS was responsible for providing several administrative support services to state agencies including constructing and managing state facilities, operating the state aircraft and vehicle motor pools, planning and coordinating telecommunications systems, managing and operating information services, and establishing state term contracts for commodity and contractual services purchasing.

The law that merged the two departments (Ch. 92-279, Laws of Florida) mandated that DMS reduce its personnel expenditures. In fiscal year 1993-94, DMS's expenditures for salaries, benefits, and other personal services were not to exceed 95% of the combined amounts expended by DOA and DGS for these categories in fiscal year 1991-92. DMS's personnel expenditures for fiscal year 1994-95 were not to exceed 90% of the fiscal year 1991-92 expenditures. Some expenditures were later excluded from these requirements, such as expenditures for independent contractors and employee pay raises.

PRIOR FINDINGS

DMS met the statutory requirements to cut its personnel expenditures. DMS took several actions to reduce its expenditures, including limiting hiring, deleting overlapping administrative positions, restructuring operations to handle workload with fewer staff, and privatizing some services. The Legislature also contributed to DMS's expenditure reductions by directing DMS to delegate certain functions to state agencies and transfer staff and units to other agencies.

The merger and accompanying personnel expenditure reduction requirement had both positive and negative impacts on DMS. Benefits of the merger and expenditure reduction requirement included forcing DMS to seek ways to streamline work processes and experiment with privatization. DMS also delegated some purchasing functions to agencies, which provided more flexibility in procurement actions. However, the merger also had some disruptive effects on DMS due to the time staff spent completing tasks needed to combine two agencies. DMS managers reported staff morale was affected and that DMS had to postpone some program improvements. In some cases, DMS's delegation of responsibilities may have increased overall state costs because agencies may have spent more to perform decentralized activities than DMS formerly spent to perform the activities in a centralized manner.

Our report gave several suggestions to the Legislature for issues to consider in future reorganization proposals. These issues are summarized in Exhibit 1. We recommended that the Legislature require future reorganization proposals to include a feasibility study. A feasibility study would help provide the Legislature with sufficient information to fully assess reorganization proposals. The study should specifically identify:

- The potential long-term cost savings that are anticipated to be achieved;
- The short-term implementation cost that will be incurred;
- The methodology used to project cost;
- The improvements in public services that are anticipated;
- Whether the reorganization will comply with constitutional, statutory, and federal requirements; and
- How the organizational changes will be implemented.

We also recommended that the Legislature target any spending reduction requirements toward organization units directly affected by the reorganization rather than at the overall agency. This would help minimize negative effects on agency services and staff.

Actions Taken By the Department

Our report recommendations were directed to the Legislature and thus no action was required of the Department of Management Services.

Exhibit 1: Issues to Consider in Future Reorganization Proposals

Potential for Long-Term Savings	■ What specific administrative positions will be eliminated as a result of the reorganization, and what cost savings will be obtained by this staff reduction? ■ What duplicative functions or services will be eliminated as a result of the reorganization, and what cost savings will be obtained by reducing duplication?
Potential for Program Improvements	■ What duplication in agency functions or statutory responsibilities will be eliminated? ■ How will the reorganization impact the delivery of program services to the public or other state agencies?
Management Issues	■ Will the merged entities have a consistent mission or function? ■ Will the reorganization result in an unreasonable span of management control? ■ Does existing agency management have the skills necessary to competently manage the reorganized agency?
Short-Term Merger Costs	■ What are the implementation costs (moving expenses, changes in letterhead and signage, etc.) associated with the reorganization? ■ What are the costs associated with renegotiating state- and private-lease agreements? ■ What are the costs associated with updating information and records management systems? ■ Will the reorganization result in some service disruption?
Legal Requirements	■ Will the reorganization be consistent with the constitutional limit on the number of executive agencies? ■ Will the resulting organization be organized along functional or program lines as required by Ch. 20, F.S.? ■ Will the reorganization be consistent with federal requirements?
Implementation Issues	■ Is the pre-implementation planning adequate? ■ What is the time-frame for implementation? ■ Who will supervise and monitor implementation? ■ Are there opportunities for staff involvement during implementation?

Source: Office of Program Policy Analysis and Government Accountability.

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

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