

MEMORANDUM

Date January 15, 2010

To: Senator Lavon Heidemann, Chairperson
Appropriations Committee

From: Carlos Castillo, Director
Administrative Services

RE: Agency Report to the Legislature for the Implementation of Appropriation Changes

Enclosed is Administrative Services report to the Legislature pursuant to LB 1 passed in the 101st Legislature, 2009 Special Session. Please find that this report includes the items requested in your memorandum to all agencies of December 4, 2009.

Please contact me if you have any questions. Thank You.

CC: Senator Danielle Conrad
Senator Tony Fulton
Senator Thomas Hansen
Senator John Harms
Senator Heath Mello
Senator John Nelson
Senator Jeremy Nordquist
Senator John Wightman
Mike Calvert, Director, Legislative Fiscal Office
Kathy Tenopir, Legislative Fiscal Office
Scott Danigole, Legislative Fiscal Office
Phil Hovis, Legislative Fiscal Office
Gerry Oligmueller, AS Budget Division
Gary Bush, AS Budget Division
Roger Wilson, AS Central Services

One Attachment: Administrative Services Agency Report to the Legislature
"Implementation of Appropriation Changes"

Administrative Services Agency Report to the Legislature Implementation of Appropriation Changes 101st Legislature, 2009 Special Session

Contact Information:

Director: Carlos Castillo Jr.
Phone: 471-2331
Email: carlos.castillo@nebraska.gov

Divisions:

Directors Office	Accounting/NIS
Budget	Building
Employee Relations	Materiel
Personnel	Risk Management
309 Task Force	Transportation Service Bureau

This report is submitted in response to Section 10 of LB 1 (2009 Special Session).

“Sec 10. It is the intent of the Legislature that each state agency submit a report on or before January 15, 2010, to the Appropriations Committee of the Legislature, detailing specific actions and plans to implement budget actions pursuant to Legislative Bill 1, Legislative Bill 2, and Legislative Bill 3, One Hundred First Legislature, First Special Session, 2009.”

Introduction

Administrative Service (AS) offers a variety of services to State Agencies, Boards and Commissions. This includes leased and rental vehicles, office space, copy and print services, building maintenance and remodeling, mail services, etc. These are provided to the State at a cost that is lower than available from the private market. For providing these services, AS charges back our incurred costs to those who have utilized the services. Thus our appropriations are set to allow us the flexibility to have these services available when they are requested. The volume or level at which they are requested determines the level of appropriation required to provide the services.

It is important to mention that if services are not requested, costs are not incurred and available appropriations are not utilized. It is the nature of our business model. We must look at outside factors that impact our business and funds that are beyond our control. This includes fuel cost for vehicles, utility costs, postage rates, paper and supply costs, vehicle costs, and insurance costs to name a few. If these outside factors increase and our requests for services remain the same or increase, we will be unable to provide services to State Agencies, Boards or Commissions. If we can't provide the service, Agencies, Boards and Commissions will purchase these services from private companies at a higher cost. This would have a negative impact on State budgets.

AS has been anticipating an economic downturn these past two years by re-aligning personnel, the services we provide and a continued conservative approach towards expenditures. In doing so, we have purposely delayed filling vacancies to allow us the latitude to manage our business within the reductions enacted for the current biennium. We continue to review by division, every vacancy through attrition, the possible need for layoffs and look to fill only essential positions.

Service Level Reductions

The reductions enacted will have an effect on the service levels we will have available. Administrative Services has done an extensive review of this impact to our Divisions and Programs. Below are some of the impacts that will be affecting State business due to the reductions enacted...some directly and others indirectly. These are just a few of the many services that will be reduced to absorb the appropriation reductions earmarked for Administrative Services. AS will continue to review and adjust service levels based on Agency demands.

1. Accounting/NIS Division
 - a. Delay in filling current vacancies will affect performance of required duties and increase response times.
2. Building Division
 - a. Janitorial Services will be reduced in State owned buildings
 - i. Cleaning and Trash - reduce the frequency of service days per week.
 - b. Grounds Care – Reduce frequency of mowing, watering, and fertilizing; extend ground care equipment replacement schedules.
 - c. Continue to identify areas for energy efficiency savings.
3. Materiel Division

Mail Center Services

 - a. Reduce the number of delivery routes (low volume routes).
 - b. Reduce the frequency of mail delivery and pick services.

Copy Services – Copy Centers

 - a. Reduction of the number of copiers.
 - b. Black and white copies will be required to be the default for all copiers.
 - c. Purchase and use less expensive, lower quality paper.
 - d. Reduce services at the Capitol's Copy Center.

Printing Services

 - a. Delay the updating and scheduled replacement of equipment.
 - b. Eliminate delivery services of completed work.
4. Personnel Division
 - a. The SOS Temporary Service program will not have the ability in FY09-10 to fill the projected statewide temporary work force requests due to insufficient revolving PSL. If needed Agencies will be forced to use outside employment services at an increased costs. The program could also be affected in the same way in FY10-11.
5. Transportation Services Bureau
 - a. Reduce the rental fleet size
 - b. Limit/reduce the number of leased vehicles.
 - c. Reduce or eliminate loaner replacement vehicles to agencies with leased vehicles that are in for repair.
 - d. Reduce and/or eliminate our support of seasonal programs.
6. Budget
 - a. Delay or preclude enhancements to the Nebraska Budget Request and Reporting System (NBRRS) and www.budget.ne.gov reducing budget process productivity; reduction in amount and type of reported state budget information
 - b. Reduction in timeliness of budget analyst support to agencies during budget request process and state budget execution.
 - c. Reduction in amount of budget analysis.

7. All Divisions
 - a. Reduce travel expenses.
 - b. Reduce training and conference expenses for professional education and seminars.
 - c. Reduce/cut back on the number of printed reports. Information will be delivered via e-mail or on the web.
 - d. Reduce capital expenditures.

Credits/Refunds and No-Bills:

During FY09-10 Administrative Services will be issuing selected credits on assessments or services already billed and paid by Agencies. In addition, we will suspend one or two billing rates for selected periods this year reducing Agency expenditures. These actions are being done to adjust our revenue due to cost savings and reduced expenses. There are Federal guidelines we must also follow as an Agency as we balance revenue (cash balances) and expenses.

Areas which will provide credits, refunds or no-bills include Accounting/NIS and Workers Compensation assessments, rent in State Building owned property, Copy Services, Office Supply, TSB, and Depreciation Surcharge on State owned property totaling over 10 million dollars.

LB 1 Provisions

The tables below summarize the provisions of LB 1 affecting the AS Divisions listed on the first page of this report: a) the reduction in the amount of the re-appropriations for FY 2009-10, b) the reduction in the new appropriations for FY 2009-10 and FY 2010-11, and c) new transfers by fund name and amount for FY 2009-10 and FY 2010-11.

Summary of Reductions to Reappropriation Adopted

Program	Fund Type	Category	Re-Appropriation Reductions
049 – Director's Office	Revolving	Operations	(672,431)
169 - Federal Liaison	General	Operations	(4,666)
171 - Materiel	Cash	Operations	(30,350)
171 - Materiel	Revolving	Operations	(2,472,809)
180 - Transportation Service Bureau	Revolving	Operations	(1,177,900)
509 – Budget	General	Operations	(450,298)
560 - Building	General	Operations	(5,619)
560 - Building	Cash	Operations	(653,850)
560 - Building	Revolving	Operations	(2,425,744)
567 - Accounting/NIS	Revolving	Operations	(71,809)
573 - 309 Task Force	Cash	Operations	(86,610)
535 - Risk Management	General	Operations	(5,168)
535 - Risk Management	Revolving	Operations	(42,025)
593 - Workers Comp	Revolving	Operations	(4,367,501)
594 - State Insurance	Revolving	Operations	(2,815,085)
605 - State Personnel	General	Operations	(228,336)
605 - State Personnel	Revolving	Operations	(2,927,204)
608 - Employee Relations	General	Operations	(7,813)
Total			(18,445,218)
Summary by Fund Type	General	Operations	(701,900)
	Cash	Operations	(770,810)
	Revolving	Operations	(16,972,508)
Total			(18,445,218)

Summary of Reductions to New Appropriation Adopted

Program	Funding Type	Category	LB 1 Reduction FY09-10	LB 1 Reduction FY10-11
049 - Director's Office	Revolving	Operations	(54,208)	(107,433)
169 - Federal Liaison	General	Operations	(205)	(410)
171 - Materiel	Cash	Operations	(1,677)	(3,353)
171 - Materiel	Revolving	Operations	(301,720)	(626,009)
180 - Transportation Service Bureau	Revolving	Operations	(151,652)	(304,650)
509 - Budget	General	Operations	(40,604)	(60,601)
560 - Building	General	Operations	(6,886)	(14,580)
560 - Building	Cash	Operations	(6,038)	(12,075)
560 - Building	Revolving	Operations	(550,645)	(1,113,020)
567 - Accounting/NIS	Revolving	Operations	(113,449)	(228,539)
573 - 309 Task Force	Cash	Operations	(12,007)	(23,958)
535 - Risk Management	General	Operations	(2,122)	(4,244)
535 - Risk Management	Revolving	Operations	(10,212)	(20,425)
605 - State Personnel	General	Operations	(38,773)	(77,229)
605 - State Personnel	Revolving	Operations	(33,117)	(64,710)
608 - Employee Relations	General	Operations	(9,473)	(19,447)
Total			(1,332,788)	(2,680,683)
Summary By Fund Type				
	General	Operations	(98,063)	(176,511)
	Cash	Operations	(19,722)	(39,386)
	Revolving	Operations	(1,215,003)	(2,464,786)
Total			(1,332,788)	(2,680,683)

Summary of Cash Fund Transfers Adopted

Program	Fund	LB 1 FY09-10	LB 1 FY10-11
171 - Materiel	26540 - Resource Recycling	1,677	3,353
560 - Building	26560 - Vacant Building (VBEL)	6,038	12,075
940 - 309 Task Force Projects	26670 - State Bldg Renewal Assessment (LB530 Rent Depr Surcharge)	12,007	23,958
	Total	19,722	39,386

No actions are planned as a result of the fund transfers listed above.

Personnel

AS Divisions have held vacant approximately 10% of the workforce over the past 21 months in order to prepare for the economic challenge. Divisions will continue to review vacancies that may impact the needs of their customers. Vacancies and FTE's will be addressed as rates and budgets are developed early in 2010 for the next biennium. The following positions will be eliminated.

Program	Funding Type	Positions
567 - Accounting/NIS	Revolving	3 positions
509 - Budget	General	1 position
049 - Director's Office	Revolving	2 positions
605 - Personnel	General	1 position

Fiscal Management Prior Initiatives

Starting in February 2008 memos regarding spending restraints and a continued call to improve and streamline services were sent to AS Administrators and have continued during the past 21 months. These spending restraints included Divisions being asked to reduce their total expenses for FY08-09 to a level below their FY07-08 appropriation, with the exception

of non-capital construction programs. Other areas are the continued limited approval to fill permanent vacancies or to approve or extend SOS/Temporary positions, continued reductions in out-of-state and in-state travel and no lease or purchase of additional space or capital equipment should be made unless an emergency exists.

Reductions to Reappropriation to be Implemented by Program

The majority of the agency's reappropriation is revolving fund spending authority and wasn't totally obligated.

For some of the AS Divisions the reduction in reappropriation means reduced funding for continued projects, preclude or delay program enhancements, reduce the ability to deal with unforeseen needs or funding to offset current biennium cuts.

Program	Funding Type	Description	Re-Appropriation Reductions
049 - Director's Office	Revolving	Reduced spending authority for special or unforeseen needs of the agency's divisions	(672,431)
169 - Federal Liaison	General	Reduced funding for travel	(4,666)
171 - Materiel	Cash	Reduced un-obligated program spending authority	(30,350)
171 - Materiel	Revolving	Reduced un-obligated program spending authority	(2,472,809)
180 - Transportation Service Bureau	Revolving	Reduced spending authority for possible fuel cost increases	(1,177,900)
509 - Budget	General	Delay or preclude budget system and web site enhancements	(450,298)
560 - Building	General	Reduced funding available for projects at Governor's Residence	(5,619)
560 - Building	Cash	Current appropriation exceeds available cash balance	(653,850)
560 - Building	Revolving	Reduced un-obligated program spending authority	(2,425,744)
567 - Accounting/NIS	Revolving	Reduced funding available for IT hardware equipment upgrades	(71,809)
573 - 309 Task Force	Cash	Reduced funding to cover FY09-10 & FY10-11 budget cuts	(86,610)
535 - Risk Management	General	Reduced funding to cover FY09-10 & FY10-11 budget cuts	(5,168)
535 - Risk Management	Revolving	Reduced funding to cover FY09-10 & FY10-11 budget cuts	(42,025)
593 - Workers Comp	Revolving	Reduced ability to address unfunded outstanding claim obligations	(4,367,501)
594 - State Insurance	Revolving	Reduced un-obligated program spending authority	(2,815,085)
605 - State Personnel	General	Reduced funding to cover FY09-10 & FY10-11 budget cuts and on going projects	(228,336)
605 - State Personnel	Revolving	Reduced un-obligated program spending authority	(2,927,204)
608 - Employee Relations	General	Reduced funding for legal expenses	(7,813)
Total			(18,445,218)
Summary By Fund Type			
	General		(701,900)
	Cash		(770,810)
	Revolving		(16,972,508)
Total			(18,445,218)

Reductions to New Appropriation Detail by Program

Accounting/NIS – Program 567		Fund Type	FY09-10	FY10-11
• PSL & Benefits Savings - eliminate a 1 vacant position in FY09-10 and 2 additional positions either currently filled or vacant through either layoff or not by re-filling in FY10-11.		Revolving	79,449	174,000
• Reduce Computer Hardware Equipment		Revolving	0	7,539
• Print fewer reports/warrants		Revolving	15,000	10,000
• Less national training		Revolving	10,000	0
• Reduce Other Operating Expenses		Revolving	9,000	0
• TMS savings		Revolving	0	37,000
Total			113,449	228,539

Budget – Program 509		Fund Type	FY09-10	FY10-11
• PSL & Benefits Savings – Eliminate a vacant Budget Analyst position (11% of budget analysis positions) (1 position)		General	0	60,601
• Reduce ARRA coordination and reporting costs		General	40,604	0
Total			40,604	60,601

Building – Program 560		Fund Type	FY09-10	FY10-11
• Reduce Janitorial services, delay capital purchases, reduce utility costs, grounds care and the number of special projects and extend scheduled maintenance schedules		General	6,886	14,580
		Cash	6,038	12,075
		Revolving	550,645	1,113,020
Total			563,569	1,139,675

Director's Office – Program 049		Fund Type	FY09-10	FY10-11
• PSL & Benefits Savings - eliminate 2 vacant positions in FY10-11.		Revolving	0	83,666
• Reduced Operating expenses such as: Print, Non-cap equip., Dues, Conference, Training, Office Supplies, SOS and Travel		Revolving	23,767	23,767
• Re-appropriation/carryover		Revolving	30,441	0
Total			54,208	107,433

Personnel – Program 605		Fund Type	FY09-10	FY10-11
• PSL & Benefits Savings - eliminate 1 position that is currently filled through either layoff or not by re-filling in FY10-11.		General	0	34,590
• Implementing TMS will reduce printing needs and other expenses, increased utilization of electronic letterhead		General	8,088	16,604
• Conference, Travel		General	5,000	9,400
• Computer Hardware, Non-cap equip		General	4,735	1,000
• Training, Dues-Subscriptions, Office Supplies		General	20,950	15,635
Subtotal			38,773	77,229
• Conference, Travel		Revolving	2,555	3,450
• Printing, Postage		Revolving	20,750	20,750
• Training, Dues-Subscriptions, Office Supplies, Other Operating Expenses		Revolving	9,812	4,251
• Reduced spending authority for SOS program		Revolving	0	36,259
Subtotal			33,117	64,710
Total			71,890	141,939

Federal Liaison – Program 169		Fund Type	FY09-10	FY10-11
• Reduce travel		General	205	410
Total			205	410
Employee Relations - Program 608		Fund Type	FY09-10	FY10-11
• PSL Savings – Vacant ½ time Temp Position		General	6,973	15,747
• Travel		General	2,500	2,500
• Computer Hardware		General	0	1,200
Total			9,473	19,447
Materiel – Program 171		Fund Type	FY09-10	FY10-11
• Reduce Capitol Outlay & Travel		Cash	1,677	3,353
• Mail - Reduce Mail Delivery Service, Print Shop & Copy Services – Reduced Capitol Outlay		Revolving	301,720	626,009
Total			303,397	629,362
Risk Management – Program 535		Fund Type	FY09-10	FY10-11
• Reduced Travel, Reduced sq ft and lower rental rate at NSOB		General	2,122	2,122
• Conference Registration, Dues & Subscriptions, Software, Data Processing, Computer Hardware		General	0	2,122
Subtotal			2,122	4,244
• Reduced Travel, Reduced sq ft and lower rental rate at NSOB		Revolving	10,212	10,212
• Conference Registration, Dues & Subscriptions, Software, Data Processing, Computer Hardware		Revolving	0	10,212
Subtotal			10,212	20,424
Total			12,334	24,668
309 Task Force - Program 573		Fund Type	FY09-10	FY10-11
• Reduce Travel – Fewer Project Inspections		Cash	2,000	2,500
• Reduce Usage of Per Diem Consultants		Cash	10,007	21,458
Total			12,007	23,958
TSB – Program 180		Fund Type	FY09-10	FY10-11
• Reduce the Cost of Vehicle Acquisitions/Reduce Fleet Size		Revolving	151,652	304,650
Total			151,652	304,650

Additional Comments:

- Reduced PSL in the current biennium for Program 605-State Personnel revolving fund will result in insufficient PSL to fill Agency requests for temporary workers.
- There is no foreseen impact on the receipt of federal funds by the Divisions as a result of these budget actions.
- This report does not include the Office of the CIO or the Office of the Capitol Commission. Although they are administratively housed within Administrative Services, they are responsible for their own budget decisions and any reports to the Legislature.