

Department of Administration

January 31, 2013

Issue

- 48 states have a Department of Administration (or something comparable) through which an appointee of the Governor oversees the state's backoffice functions: HR, IT, real estate and facilities, procurement, budget development, fleet management, etc.
- South Carolina's Budget and Control Board usurps these responsibilities and has others – ability to recognize deficits, approve bonds...

Why Do We Need a Department of Administration?

1. *Run government more like a business.*

- The Governor is the state's CEO. No CEO lacks control over personnel, purchasing decisions, or the budget – the Governor shouldn't either.
- A Department of Administration means that each agency will no longer be its own fiefdom. By improving coordination across the enterprise – through cooperative purchasing, shared services initiatives, and common technology standards – the Department will improve results and save money.

2. *Improve accountability and separation of powers.*

- It's impossible for an Executive Director and the BCB staff to faithfully serve five bosses with conflicting agendas and priorities. A Director of Administration answerable to a Governor can establish a unified vision for the agency, and is more likely to be held accountable for his or her performance (and the agency's).
- The Executive Budget Office would establish a performance measurement initiative, to help us determine which programs are or are not working.

3. *Bring South Carolina in line with other states.*

- 48 states have a Department (or equivalent unit) overseeing central administrative functions. South Carolina is one of only two states (Texas) to place these powers within a board or commission.
- The functions we're focusing on for the Department of Administration are those that appear in comparable agencies in other states.

Areas of Contention

- Major: Procurement (still), pension and benefit governance (resolved)
 - Not just the "boxes" – also substantive language on strategic sourcing, reform report
- Independence of the State Inspector General (and State Auditor)
- Independence of the Board of Economic Advisors and Office of State Budget
- Approval of bonds – possibility to provide relief for conduit bonds, where state's creditworthiness is not at risk
- Scope and cost of the new legislative oversight process
- New crimes language – Procurement, Contempt of General Assembly
- Various reporting requirements (procurement, approval of statewide policies)

WHY PLACE IT IN THE DEPARTMENT?

Human Resources

- Most states place HR within their Departments of Administration.
- Standardized, consistently applied HR policies reduce the risk of litigation for unfair labor practices.
- A central “HR Service Center” could handle certain types of transactions centrally. One state that recently rolled out a center reduced FTEs by 40%.

General Services

- At least 2/3 of the states place construction, leasing, surplus, mail, facilities and the vehicle fleet in their Departments of Administration.

Procurement

- According to NASCA, the Department of Administration is responsible for procurement in at least 45 states. In some of the other 5 states, procurement is in or is shared with another executive agency, such as a Department of General Services.
- Many of the savings to be achieved will be accessed through the procurement process (demand aggregation, outsourcing, etc.). Bringing this function into the Department isn’t about picking winners and losers – it’s important because accelerating our purchasing process will help us save more money, faster.

Information Technology

- A majority of states place IT in their Department of Administration. Those that don’t generally have a separate cabinet-level CIO agency instead.
- An empowered CIO can save money by getting agencies to share services – especially in terms of infrastructure and operations (shared data center, etc.).
- Agencies also aren’t sharing best practices among each other today; the interagency IT forums that exist have sporadic attendance and have no real role in forming IT policy or setting standards.

Executive Budget Office (NEW)

- A majority of states give their Department of Administration a central role in budgeting; several other states place budget development in a separate centralized agency.
 - South Carolina’s Governors are currently reliant upon the individual agencies for information on the state budget, or upon a shared budget office that doesn’t answer to management.
 - Only a unit with enterprise-wide visibility and responsibility can support management’s efforts to promote interagency coordination and cost cutting.
 - The capital budgeting process in South Carolina is effectively unmanaged; similarly, there is no effective performance measurement initiative.
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