

SAGE Commission

Streamlined
Integrated
Strengthened

May 19, 2011

Boards and Commissions

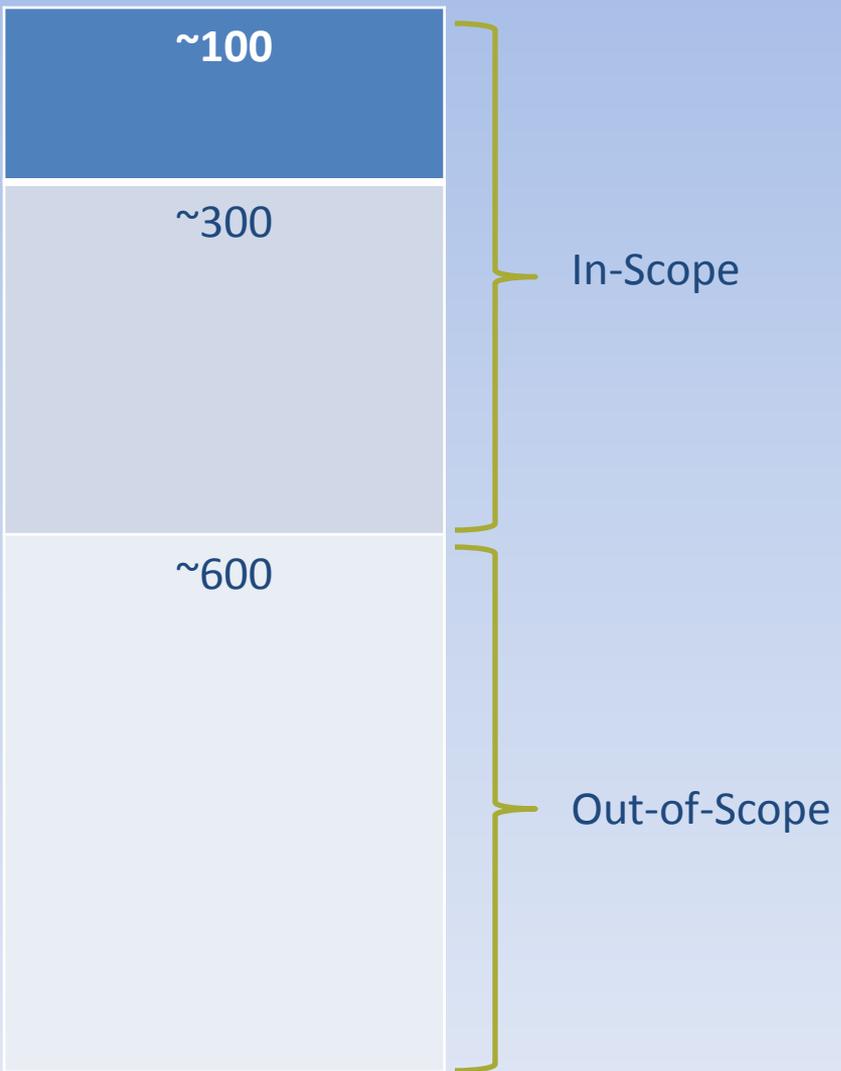
May 19, 2011

Background

- New York State government is a complex web of over 100 agencies and state authorities, and around 300 boards, commissions and the like
- While many of these boards, commissions, etc. serve a useful purpose, others result in a confusing patchwork of antiquated and unused entities
- The Commission is reviewing these boards and commissions to see which should be eliminated or merged
- Objective: To clear out the “underbrush” of state government

Defining the Scope of Initial Effort

~1,000 total entities



- Agencies
- Major State Authorities
- Other State Authorities as recognized by ABO (Authorities Budget Office)
- Authority Subsidiaries with independent board or operations
- Boards, Commissions, Councils with regulatory, rulemaking or other authority
- Advisory Boards created by Statute or Executive Order

- Authority subsidiaries with no independent board or operations
- Authority Financing Subsidiaries
- Local IDAs
- Boards and Commissions not created by Statute or Executive Order

Criterion for Review

- Has it ever been constituted?
- Does the reason it was created still exist?
- Has it completed its work?
- How often does it meet?
- Does it overlap or duplicate the efforts of other State entities?
- Is a board, commission, or agency necessary to fulfill this function?
- Does it need to function independently?
- Is it mandated by federal law?

Examples of Candidates for Elimination or Merger

Inactive	25+	<ul style="list-style-type: none">• Barbers Board• Statewide Wireless Network Advisory Council
Mission Completed	5+	<ul style="list-style-type: none">• Bottled Water Interagency Workgroup
Duplicative	2	<ul style="list-style-type: none">• Freshwater Wetlands Appeals Board
Active Dialogue Through Informal Channels	9+	<ul style="list-style-type: none">• NYS Security or Fire Alarm Installer Advisory Committee• Funeral Directing Advisory Board
Mergers	9+	<ul style="list-style-type: none">• Merge Organic Food Advisory Committee with Organic Advisory Task Force
TOTAL	50+	

The Authorities Budget Office (ABO) is Recommending Elimination of 166 Local Authorities

- ABO has conducted a review of local authorities to identify those that are inactive
- 166 local authorities have been identified for elimination
- ABO has asked SAGE to endorse its recommendations to eliminate these local authorities

Should New York Adopt a Sunset Provision?

- The Texas Sunset Commission reviews each agency and board every 12 years
- The SAGE Commission could recommend:
 - A sunset provision in New York for boards created for a transitory purpose
 - A regular review process for other entities

Enterprise Services

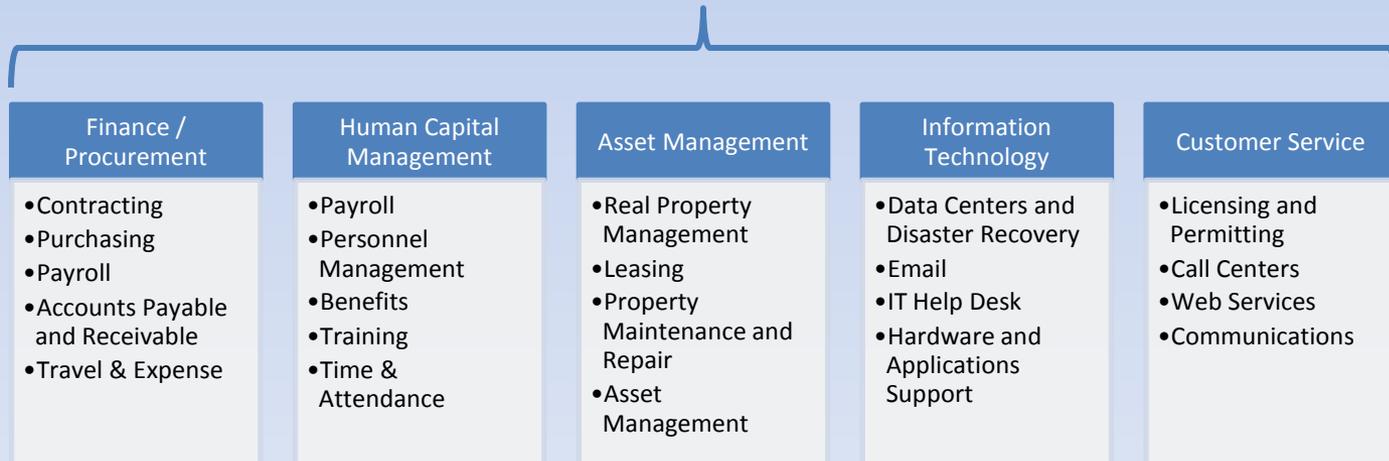
Enterprise Services

May 19, 2011

Background

- A centralized shared services model for providing back-office services is the best practice in the private and public sector
- Efficiencies from shared services are greatest where standardization is possible and resources are underutilized in a decentralized model

Shared Services



Our GIE Shared Services model allows IBM to provide global support to all IBM business units efficiently and effectively

IBM GIE Shared Services



"We no longer have to replicate IBM from floor to ceiling in every country. We are optimizing key operations in the right places in the world – eliminating redundancies and excess overhead – and integrating those operations horizontally and globally. ... This is about doing the right tasks, with the right skills, in the right places."

- Sam Palmisano, IBM Chairman, President and Chief Executive Officer

Best practice states are using a shared services model

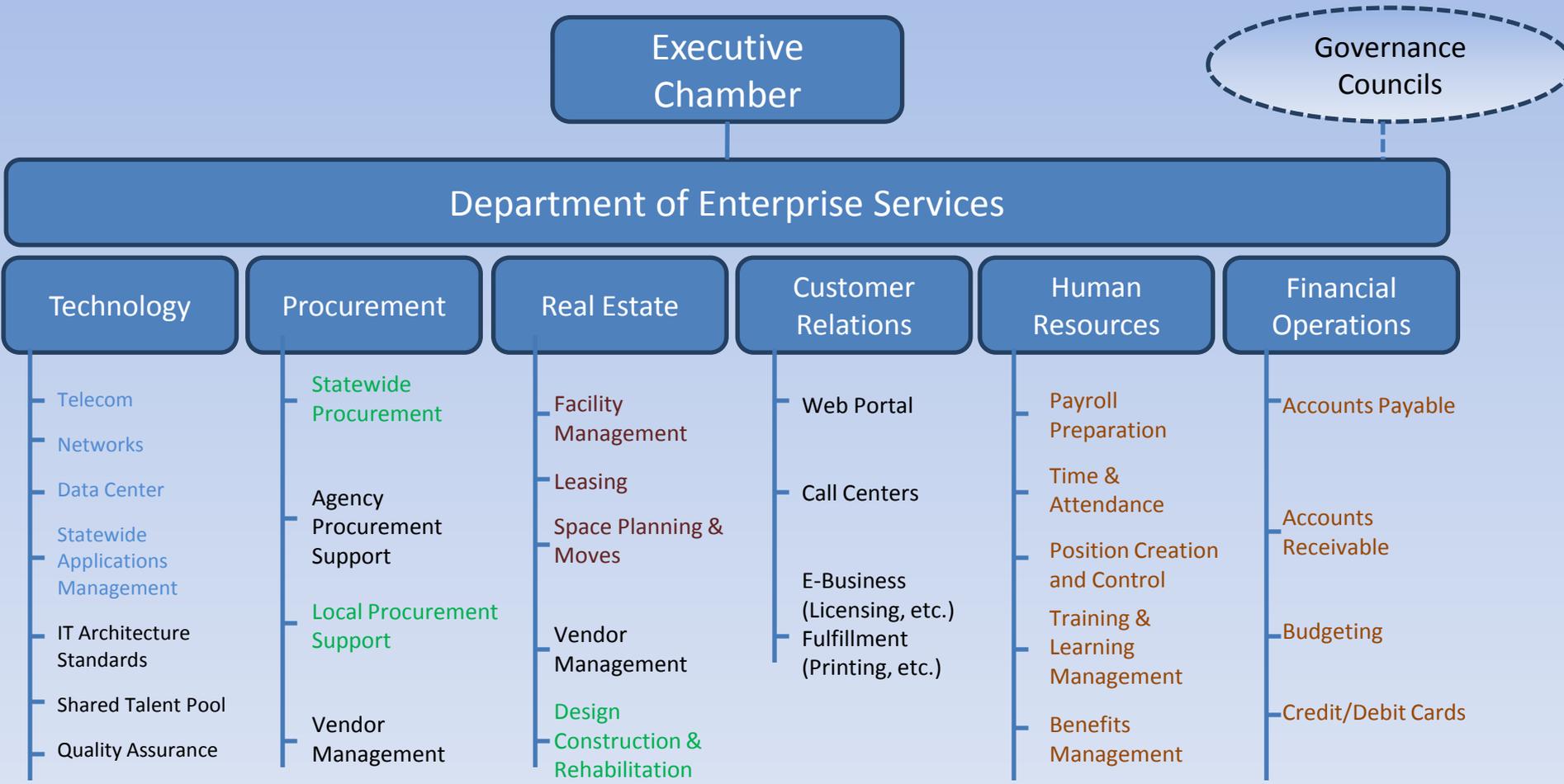
- Virginia, Georgia, Ohio, Michigan, North Carolina, and Washington are implementing shared services
- For example, Ohio has created a statewide shared services model for managing financial services for its agencies
- At full implementation, Ohio expects about \$26 million in average annual savings¹

1. Gartner Industry Research, Case Study: Ohio Shared-Service Project Succeeds With Internal Path to Process Efficiency and Cost Savings, August 6, 2010

NYS's back office operations are inefficient

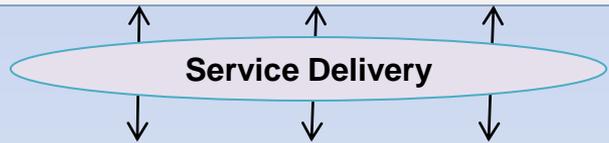
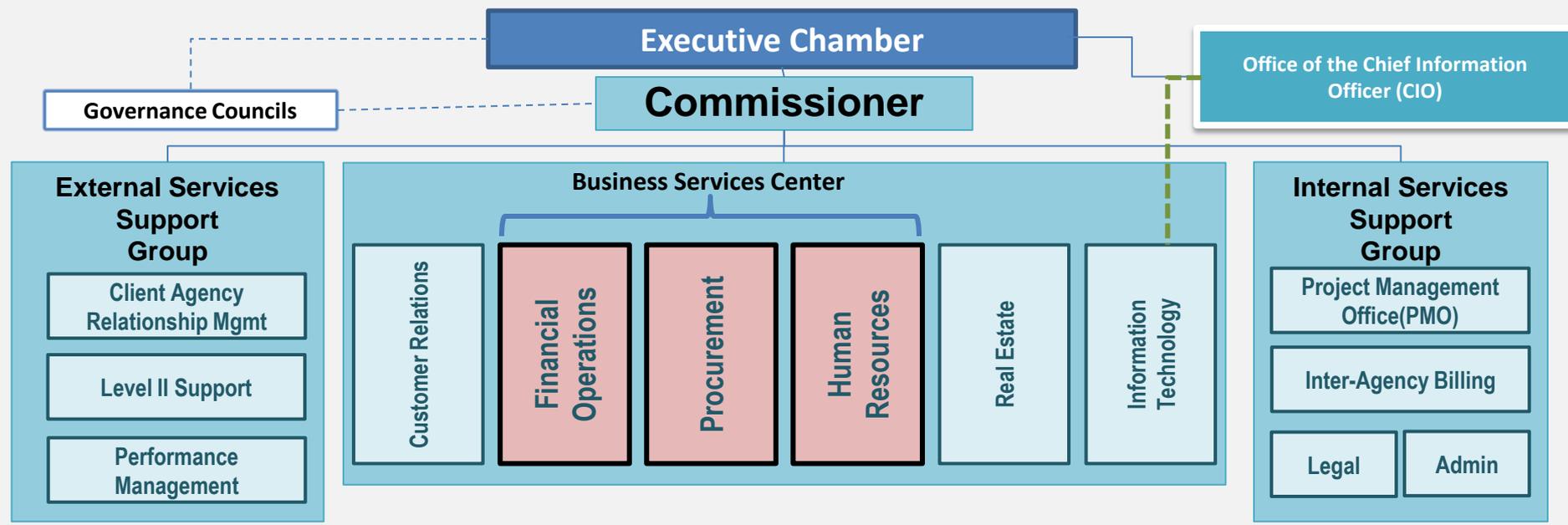
- The Cuomo Administration directed the Division of the Budget to benchmark NYS's back-office operations against best practices
- Preliminary results identified great inefficiencies, so the Administration is pursuing transformation efforts in procurement, IT, real estate and customer relations
- The Administration is also looking to maximize efficiencies in transaction processing from NYS's Statewide Financial System (SFS) that is expected to go live in October 2011

A NYS Department of Enterprise Services (DoES) could provide all Statewide back-office functions



- Currently at OFT
 - Currently at OGS
 - Partially OGS/Partially Agencies
- Consolidated Agency Functions
 - New Functions

Department of Enterprise Services



Enterprise Services (7/10)

A Business Services Center in a shared service model could produce large efficiency gains

Operational efficiency gains were determined in each function based on a combination of industry benchmark analysis, evaluation of existing and future system capabilities, and agency interviews

Function	Savings %	Rationale
Procurement	25%	<ul style="list-style-type: none">• SFS implementation and technology improvements will improve Procurement efficiency• Procurement processes are less transaction-based than Finance, so the savings will be slightly less
Human Resources	15%	<ul style="list-style-type: none">• Savings will result from process improvements and centralization• Savings are lower than Procurement, Finance, and benchmarks due to the absence of a unified HR platform and timekeeping system
Finance	30%	<ul style="list-style-type: none">• SFS implementation and technology improvements will result in substantial savings realization, consistent with industry benchmarks

Enterprise Services (8/10)

These efficiencies could drive significant savings

Current State				
Service Group	Core FTE	Support Staff	Total FTE	Labor Cost + Fringe (49%)
Procurement	316	261	577	\$ 48 million
HR	917	759	1,676	\$ 137 million
Finance	665	552	1,217	\$ 104 million
Total	1,898	1,572	3,470	\$ 289 million



Future State			
Core FTE	Support Staff	Total FTE	Labor Cost + Fringe (49%)
237	196	433	\$ 36 million
780	645	1425	\$ 117 million
465	387	852	\$ 73 million
1,482	1,228	2,710	\$ 226 million

- The State would save an estimated \$178 million while reducing FTEs by 760 over a five year period.
- An average salary of \$83,602 (includes fringe benefits) was used to estimate savings over the 5 year plan
- Savings accrue based on a phased implementation schedule
- Once an agency has been moved to the Business Services Center, recurring savings are estimated for a period of 5 years until 2016. Agency FTE savings are realized over a period of two years based on the following rate: Year 1 – 65% Savings, Year 2 – 35% Savings. All numbers are rounded to the nearest whole number
- Savings totals do not reflect any one-time implementation costs

Retirement and attrition could absorb many FTE reductions

Estimated Total FTE Reduction/Savings Summary						
	FY '12	FY '13	FY'14	FY'15	FY'16	Total (5 Years)
Total Projected Personal Service Savings (Core and Support Staff FTEs)	\$0	\$31 million	\$34 million	\$50 million	\$63 million	\$178 million
FTE Reduction	0	309	207	139	105	760

FTE Impact -Eligibility for Retirement and Estimated Attrition Summary						
	FY '12	FY '13	FY'14	FY'15	FY'16	Total (5 Years)
Core FTEs Eligible to Retire *	201	23	41	26	33	324
Support Staff FTEs Eligible to Retire *	88	21	16	22	24	171
Retirement Subtotal	289	44	57	48	57	495
Estimated Attrition†	69	69	69	69	69	345
Total FTEs Eligible for Retirement Plus Estimated Attrition	358	113	126	117	126	840

* FTE's eligible to retire includes all employees reaching 30 years of service or higher and 55 years of age

† Based on the Statewide attrition rate of 2% of FTEs annually

Recommendation

- The SAGE Commission recommends the State create a new department, *the Department of Enterprise Services (DoES)*, to deliver back office services and produce savings through centralizing activities and conducting transaction processing through modern technology platforms.

Transportation

transportation

May 19, 2011

Background

- DOT, the Thruway Authority and the Bridge Authority have similar missions—to keep roads and bridges safe and reliable
- All three entities have similar assets, functions and types of workers
- Thruway and Bridge both fund operations and capital expenditures from toll revenue and borrowing in the bond market
- All three entities face the same macro issues of aging infrastructure and the need to fund expensive maintenance improvements

Similar Core Missions

	Department of Transportation	Thruway Authority	Bridge Authority
<i>Mission</i>	To ensure our customers - those who live, work, and travel in New York State -- have a safe, efficient, balanced, and environmentally sound transportation system	To provide safe and reliable transportation	To maintain and operate the safe vehicle crossings over the Hudson River entrusted to its jurisdiction for the economic and social benefit of the people of the State of New York
<i>Headquarters</i>	Albany	Albany	Highland

Similar Assets and Functions

		Department of Transportation	Thruway Authority	Bridge Authority
Budget and Agency Scope	Road Miles	15,102	570	12
	Lane Miles	~43,000	2,818	38
	Bridges	Over 7,700 (168 long-span)	811 (15 long-span)	5 (long-span) ¹
	Bridge Deck Surface	83 M sq. ft	14 M sq. ft	2 M sq. ft
	Budget ²	\$4.0B	\$1.1B	\$47M
	Debt Outstanding	N/A	\$2.9B	\$41M

(1) Including the Walkway Over the Hudson, the Bridge Authority has six long-span bridges (1000+ feet). Long-span bridges require greater expense and resources.

(2) Includes operational and capital spend. DOT data excludes funding on local transit authorities (e.g., MTA). Thruway and Bridge Authorities include interest expense on borrowings.

Similar Workforce

		Department of Transportation	Thruway Authority	Bridge Authority
Employees	Total Employees	8,784 ¹	2,767 (+1,120) ²	137 (+62) ²
	Engineering	2,639	193	5
	System Maintenance	4,829	2,018	173
	Administrative/ Support	534	556	21
	Bargaining Units	2	4	1

(1) For DOT, "Total Employees" includes employees in rights-of-way, safety and security, planning, rail, aviation, and transit, in addition to engineering, system maintenance and administrative/support.

(2) 2,767 figure includes Canal Corporation; additional 1,120 within TA and 62 within BA are part-time toll collectors

Similar Facilities

		Department of Transportation	Thruway Authority	Bridge Authority
Facilities	Fuel Depots	204	41	5
	Salt Depots	261	38	0
	Maintenance/ Repair Facilities	81	32	0
	EZ Pass Lanes/Terminals	0	417	23

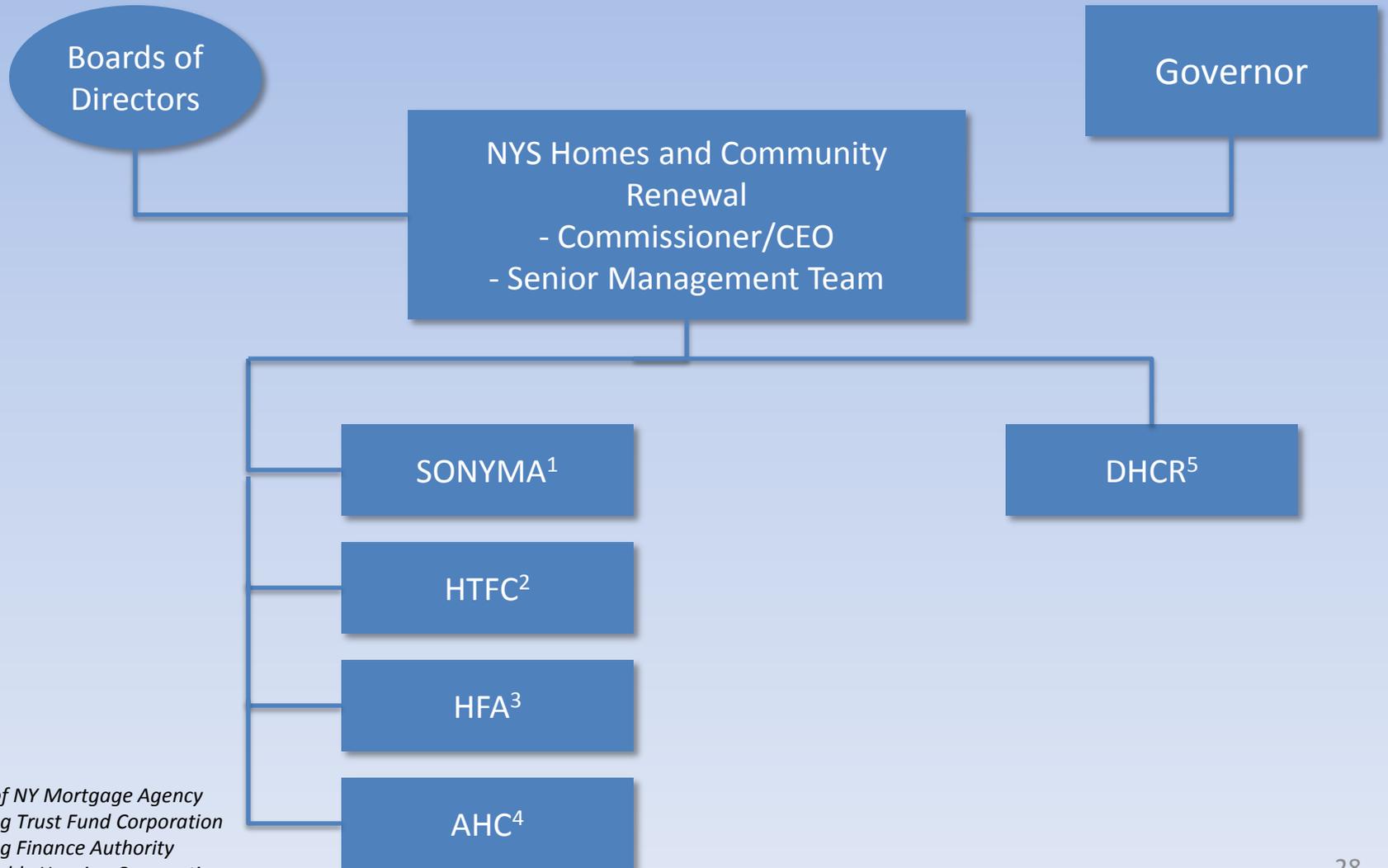
Similar Spending Requirements

		Department of Transportation	Thruway Authority	Bridge Authority
<i>Spend</i>	Salt	\$62M	\$8M	\$150K
	Fuel	\$25M	\$7M	\$100K
	Fleet	\$72M	\$4M	\$350K
	Engineering Consultants	\$210M	\$74M	\$2M
	Construction	\$2B	\$272M	\$12M

Key Guiding Principles

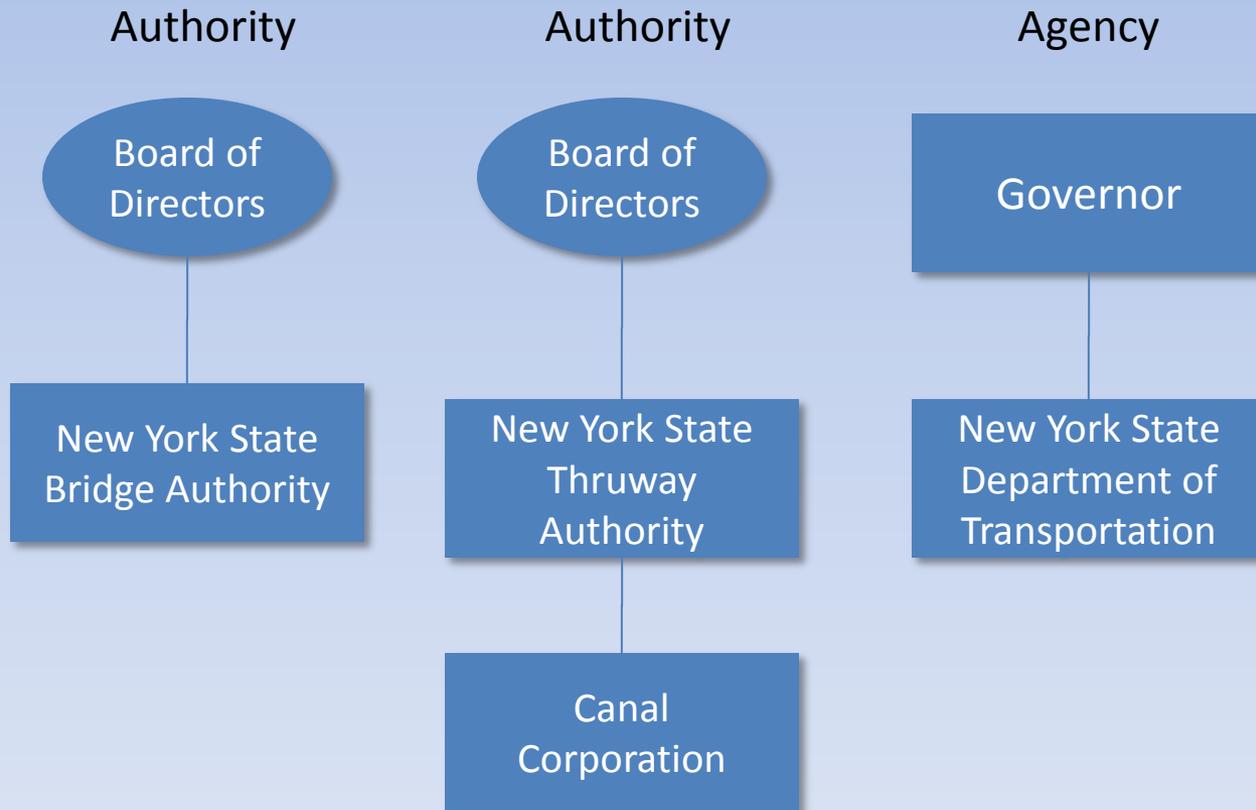
- Do not compromise safety of roads and bridges
- Do not change integrity of authority borrowing structure
- Do not change current funding sources
- Create efficiencies
- Generate savings
- Improve and/or preserve service levels
- Create transparency and accountability in government

What is “Functional Consolidation?”

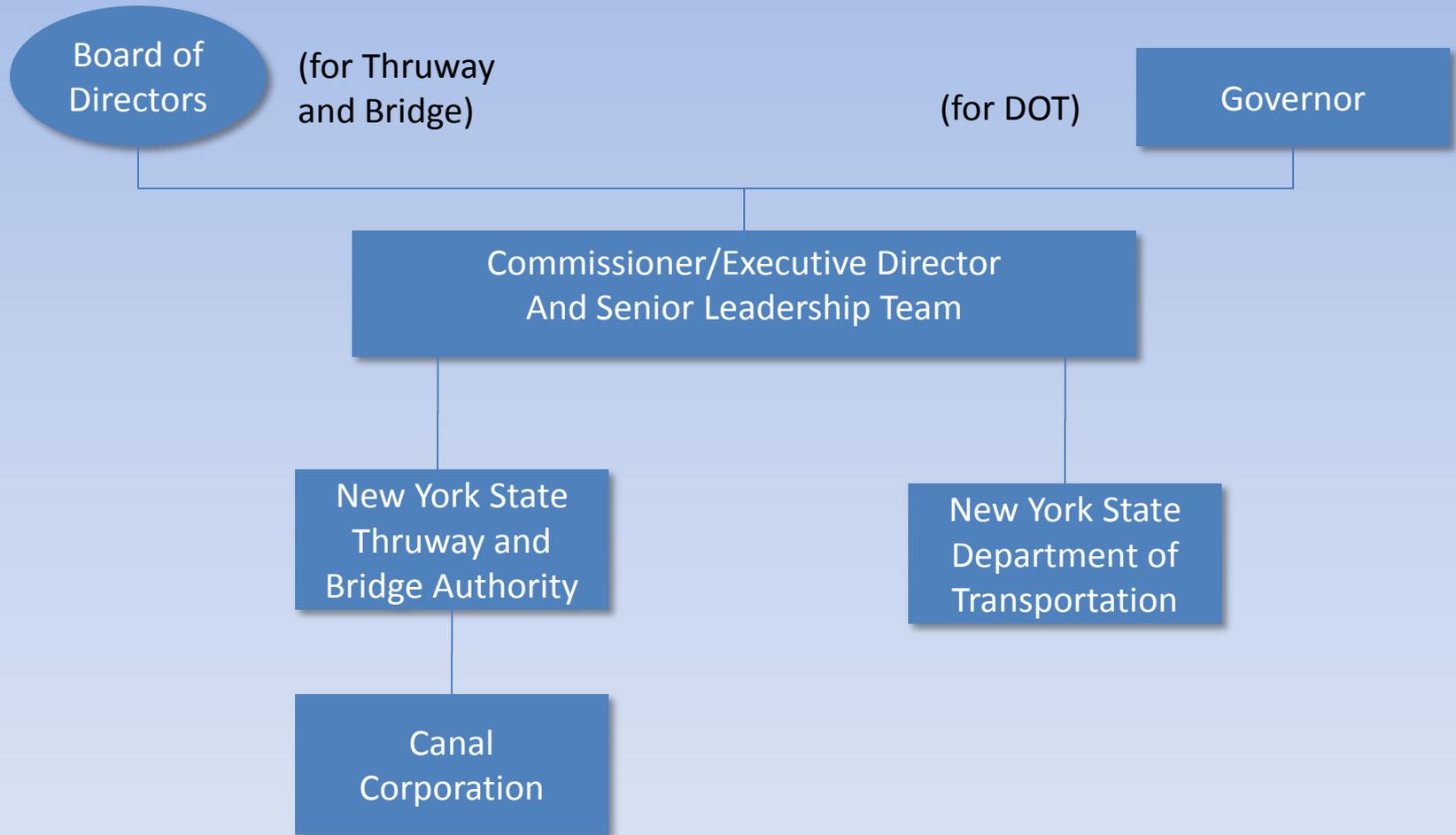


(1) State of NY Mortgage Agency
(2) Housing Trust Fund Corporation
(3) Housing Finance Authority
(4) Affordable Housing Corporation
(5) Division of Housing and Community Renewal

Organizational Structure - *Before*



Organizational Structure - *After*



Potential Savings Opportunities When Phased In

	Description	Current Spend	Targeted Cost Reduction ¹	Process Improvement or Synergy Impact ²	Commentary	
<i>ADMINISTRATIVE SUPPORT CONSOLIDATION</i>						
Back-Office Consolidation	<ul style="list-style-type: none"> Rationalize back-office functions like HR, legal, PIOs, procurement, and finance 	\$74M	\$35M DOT \$38M TA \$0.7M BA	\$2-4M		<ul style="list-style-type: none"> Savings achieved by eliminating direct overlap in functions
IT Consolidation	<ul style="list-style-type: none"> Rationalize IT spend for the combined organization 	\$56M	\$41M DOT \$15M TA \$0.5M BA	\$1-3M		<ul style="list-style-type: none"> Unified leadership team Consolidated application development Data center consolidation
Joint Purchasing of Materials	<ul style="list-style-type: none"> Reduce pricing on salt, fuel, asphalt, and other materials, leveraging statewide procurement efforts where applicable 	\$200M	\$180M DOT \$20M TA \$0.4M BA	\$6M		<ul style="list-style-type: none"> 3% reduction in spend based on expected performance of statewide procurement efforts
Office Space Consolidation	<ul style="list-style-type: none"> Could include consolidation of underused office space 	n/a	n/a	\$2-4M		<ul style="list-style-type: none"> May include consolidation of headquarters and/or regional offices into Albany
Sub-Total:				\$11-17M		

(1) "Targeted Cost Reduction" is a long-term goal and may take months or years to achieve.

(2) Process improvements are savings that can be achieved by transfer of best practices. Synergy impacts are savings created by (or enabled by) a combination of the organizations.

Potential Savings Opportunities When Phased In

	Description	Current Spend	Targeted Cost Reduction	Process Improvement or Synergy Impact	Commentary	
<i>FIELD / CORE ACTIVITY CONSOLIDATION</i>						
Engineering Consolidation	<ul style="list-style-type: none"> Staff engineers as part of combined pool 	\$276M	\$200M DOT \$74M TA \$2M BA	\$3-4M		<ul style="list-style-type: none"> Allows people with specific talents, expertise and availability to be aligned with key projects
	<ul style="list-style-type: none"> Assume DOT able to move closer to TA best practices in construction inspection 	\$234M	\$188M DOT \$45M TA \$0.6M BA	\$15-20M		<ul style="list-style-type: none"> Great focus on risk-based processes and standards (requires consultation with FHWA)
Fleet Consolidation	<ul style="list-style-type: none"> Right-size and create shared and standardized fleets to reduce lease/purchase costs, maintenance, repairs, and parts 	\$192M	\$139M DOT \$52M TA \$0.6M BA	\$7-15M		<ul style="list-style-type: none"> Vehicle savings \$5-10M, equipment savings \$1-3M, parts savings \$1-2M
Consolidation of Field Facilities	<ul style="list-style-type: none"> Reduce total number of fuel facilities, maintenance facilities, wash bays, and storage facilities 	\$31M	\$18M DOT \$12M TA \$0.6M BA	\$0-2M		<ul style="list-style-type: none"> Low cost of operating field facilities limits short-term savings
Field Labor	<ul style="list-style-type: none"> Toll collection, snow removal, and highway maintenance 	\$453M	\$325M DOT \$122M TA \$5.7M BA	\$5-9M		<ul style="list-style-type: none"> Assume 1-2% savings based on sharing of best practices
Sub-Total:			\$30-50M			

Potential Savings Opportunities When Phased In

	Description	Current Spend	Targeted Cost Reduction	Process Improvement or Synergy Impact	Commentary
STRATEGIC RE-ALIGNMENTS					
Regional Consolidation	<ul style="list-style-type: none"> Combine and centralize some functions in field offices to regional or central centers of excellence 	n/a	\$3-5M		<ul style="list-style-type: none"> Primarily specialized support functions May understate true opportunity
Span of Control	<ul style="list-style-type: none"> Flatten management structure over time to increase span of control 	n/a	\$6-10M		<ul style="list-style-type: none"> Initial focus on engineering and system maintenance organizations
Worker Flexibility	<ul style="list-style-type: none"> Broaden job classifications to increase flexibility and utilization 	n/a	\$4-6M		<ul style="list-style-type: none"> For example, ability to deploy Canal employee where skills transferrable
Coordination with Localities	<ul style="list-style-type: none"> Improve operational coordination (e.g., snow/ice removal) with towns & counties performing same functions 	n/a	TBD		<ul style="list-style-type: none"> Pilot needed to determine optimal model of division of responsibilities and funding structure
Sub-Total:			\$13-21M		
Total:			\$54-88M		

Potential Headcount Impact

	Total Employees (FTEs)
Department of Transportation	8,784
Thruway Authority ¹	2,767 (+ 1,120 part-time toll collectors)
Bridge Authority	137 (+ 62 part-time toll collectors)
	12,870

Total FTE Reduction: 450-600



FTE Reduction after Attrition and In-Sourcing: <100

¹Includes 485 employees of the Canal Corporation

Keys to Implementation Success

- Stakeholder and employee input
- Implementation team, led by Chief Restructuring or Chief Integration Officer
- Performance management report
 - Document savings
 - Provide transparency on service and operational improvements
 - Create goals and metrics to focus team

Environment

May 19, 2011

Belleayre Ski Center

- State-operated ski center on state-owned land in the Catskills
- Part of Department of Environmental Conservation (DEC)
- Losses of \$4mm annually
- Olympic Regional Development Authority (ORDA) manages ski centers profitably (Whiteface and Gore Mountains)
- Potential opportunity to transfer Belleayre to ORDA to improve operations and reduce cost to taxpayers

Hudson River Valley Greenway

- Created by state legislation in 1991
 - Greenway Council (Executive Department)
 - Greenway Heritage Conservancy
- 6-person staff; two boards with 40+ members
- Similar to DEC Hudson Estuary Program
- Loss in resources creates challenge to achieve core mission
- Opportunity to bolster effectiveness by combining with DEC's program

Health and Disabilities

May 19, 2011

Background

New York State has five independent Health and Disability operating agencies and two oversight agencies:

- Department of Health (DOH)
- Office of the Aging (OFA)
- Office of Alcohol and Substance Abuse (OASAS)
- Office of Mental Health (OMH)
- Office of People with Developmental Disabilities (OPWDD)
- Commission on Quality of Care and Advocacy for Persons with Disabilities (CQC)
- Office of the Medicaid Inspector General (OMIG)

These agency “siloes” create challenges in providing integrated service delivery and coordinated policies and functions

Governance

- The lack of a clear governance structure among these agencies hampers timely decision making and coordinated actions
- Regular, consistent and ongoing communication among agency and Chamber leadership is essential
- Common functions, such as support services and Medicaid rate setting, would be more efficient and effective if jointly managed, but subject to a governance structure

Medicaid rate setting and Managed Care contracting could be managed centrally

- Agencies would retain control over policy direction, but with greater coordination and oversight
- Technical aspects of Medicaid rate setting and managed care contracting would be centralized in DOH
- The main technical aspects of rate setting include cost reporting, integration of property/capital costs in reimbursement rates, and interface with the federal government and other third parties

Certain pairs of agencies require closer coordination, or possibly consolidation (1 of 3)

The Office of the Aging (OFA) and DOH Have Similar Missions and Programs

- Both agencies have programs and a common goal of helping the frail elderly live independently outside of institutions
- Despite similarities between OFA and DOH, Federal Medicaid requirements force DOH to operate in a less efficient “medical model” of delivering services
- OFA should probably remain independent given DOH’s “medical model” requirement, but the agencies could coordinate policy objectives and similar programs more effectively

Certain pairs of agencies require closer coordination, or possibly consolidation (2 of 3)

OASAS and OMH Have Major Overlaps of “Customers” and Business Practices

- Roughly 40% of people served by OASAS and OMH have a “co-diagnosis” of mental health and substance abuse
- Many providers serve, or wish to serve, those with both substance abuse and mental health problems
- OMH and OASAS have common relationships with counties and Managed Care Organizations
- OASAS and OMH have similar field organizations

Certain pairs of agencies require closer coordination, or possibly consolidation (3 of 3)

Any merger of OMH and OASAS should follow certain guiding principles

- Any merger should follow a significant period of integration planning and preparatory steps
- A merged agency should maintain a focused capacity for those without a co-diagnosis
- The most senior executive for both substance abuse and mental health should be part of the Health and Disabilities governance council

Agencies should maintain control of Quality Assurance, but co-locating field offices where possible could improve efficiency and coordination

- Quality assurance and related functions are essential components of achieving agencies' policy goals
- Agencies use field offices to oversee quality and support operations at the local level, and have many similar functions
- Co-located field offices among agencies with common territories (where possible) and coordinated scheduling would relieve providers serving more than one agencies' population
- The regional operating functions of OPWDD and DOH mean they need to retain more distributed capacity for now

Health and Disabilities (8/11)

A Division of Central Services could efficiently provide support functions not suitable to be included in a Statewide Department of Enterprise Services (1 of 3)

- Some functions are not “agency agnostic” Statewide, but are common within this cluster of agencies
- IT applications play a critical role in the operations of every agency in the Health and Disabilities cluster, and in the closely related Human Services agencies
- Each agency operates separate Administrative Services departments, all of which perform similar functions

A Division of Central Services could efficiently provide support functions not suitable to be included in a Statewide Department of Enterprise Services (2 of 3)

A Consolidated IT Department for the Health, Disabilities and Human Services Agencies Could Potentially Improve Efficiency and Performance

- Currently, these agencies spend more than \$500 million annually on IT products and services and employ 2,294 FTES (including contractors)
- Despite the similarity of IT requirements, these agencies run approximately 670 different applications, far more than necessary due to overlaps and redundancy
- A consolidated department would create opportunities for sharing resources and centers of excellence, as well as improve interoperability of IT systems

A Division of Central Services could efficiently provide support functions not suitable to be included in a Statewide Department of Enterprise Services (3 of 3)

Centralized Management Of Common Administrative Services Could Potentially Improve Efficiency and Performance

- Agencies have similar administrative services, but manage them in inconsistent ways
- Administrative services include Legal, Communications, Audit, Human Resources, and Contracting and Procurement
- Agencies should retain strategic functions (such as a General Counsel and PIO), but could gain efficiencies by pooling more routine work

DOB and Staff analyzed potential savings from the creation of a Division of Central Services

Annual savings could be achieved from reduction in state employees, reduced contract personnel and non-personal savings resulting from efficiencies

- Personnel savings of \$25.5 million annually after 3 years could be achieved through economies of scale, reduced redundancy and other efficiencies.
- Savings from functions that could be provided by a Statewide Business Services Center have not been included—no double counting
- Savings reflect a reduction of 182 State FTEs—which could be largely offset by retirement and attrition
- Savings reflect a reduction of 97 contract FTEs in IT through in-sourcing
- Additional NPS savings from improved purchasing, lease savings, reduction in IT applications and other efficiencies have not been estimated

Human Services

May 19, 2011

The Commission Did Significant Due Diligence Regarding The Human Services Agencies

- Responsibility for New York's Human Services system rests with two agencies:
 - The Office of Children and Family Services (OCFS)
 - The Office of Temporary and Disability Assistance (OTDA)
- Commission project managers conducted over 40 interviews and several focus groups with key internal and external stakeholders to evaluate whether a merger made sense
- Despite some similarities, because the core mission and functions of OCFS and OTDA are very different, a merger would not generate significant meaningful savings and could compromise each agency's core mission
- Combining much of the IT functions of OCFS and OTDA with those of the Health and Disability agencies could generate savings and improve performance due to the heavy overlap of IT applications and requirements