

September 1, 2009

To: Wayne Hammon, Administrator  
Division of Financial Management

From: Mike Gwartney, Director  
Department of Administration

**Re: FY11 Zero-Based Budget (ZBB) Submittal**

Enclosed with this memo is the Department of Administration's FY11 Budget Request, and the Zero-Based Budget documents that support it. Results of the ZBB exercise are apparent in this year's budget, and will continue to be carried out in future years' budgets.

As intended, the process provided an opportunity for management to analyze program structures, and in doing so, three of our four divisions **redesigned their cost centers** to better align with the Department's strategic plan and those priorities identified in the ZBB analysis.

Several sections of **Idaho Code** governing various aspects of the Department were deemed antiquated and proposals have been drafted for their elimination. Specifically, seven pieces directly related to ZBB were submitted to your Division and all were approved—most will have a positive fiscal impact, and all will contribute to more efficient operations. Other legislative ideas identified in the ZBB process will be proposed in future years.

1. **Elimination of the Industrial Special Indemnity Fund (ISIF).** The ISIF is funded by assessments to employers; these assessments pay annuitants, legal defense costs, and administrative expenses. As the ISIF is wound down, these costs will decrease. For example, administrative costs of approximately \$300,000 per year will be eliminated after two years. Legal defense costs paid by ISIF of approximately \$1 million will be eliminated after claims are precluded in two years, and unfunded liability to the state will decrease over time. The ISIF has outlived its intended purpose.
2. **Risk Management Advisory Committee Elimination.** Proposed legislation eliminates the necessity for convening a Risk Management Advisory Committee. No fiscal impact.
3. **ITRMC IT Inventory Elimination and Statewide Housekeeping.** This piece of legislation will eliminate the requirement that the ITRMC maintain an inventory of IT and telecommunications systems within state agencies, thereby eliminating duplication of effort

by agencies. Besides various other corrections, the proposal also removes higher education institutions from the listed exclusions of Administration's oversight of control and approval of the acquisition and installation of higher education's IT and telecommunication equipment. No fiscal impact; however, duplicate state efforts will be eliminated.

4. **Eliminate Inventory and Report of Chattel to Administration.** This legislation eliminates Administration's role in conducting, developing, and distributing guidelines on maintaining an inventory, and eliminates state agencies' reporting requirements for the completion of such inventory to Administration. No fiscal impact; however, duplicate state efforts will be eliminated.
5. **Electronic Publication of the Idaho Administrative Bulletin.** With this piece of legislation, the Department is proposing that the Idaho Administrative Bulletin be published electronically thus eliminating the requirement that it be published in paper document. The savings to Idaho taxpayers would be \$22,500 to \$25,000 per year (for printing, binding, and mailing) depending on the number of rule submissions that are published in the Bulletin.
6. **Electronic Publication of the Administrative Rules.** This legislative proposal allows that administrative rules be published electronically and on electronic media eliminating the requirement that they be published in paper documents. Realized is an approximate savings of \$10,000 per year in printing, binding and mailing sets of twelve volumes of the Administrative Code.
7. **Electronic Publication of Proposed Rulemaking Legal Notices.** This proposal allows the legal/public notice of proposed rulemaking, currently publishing in newspapers, to be published electronically. It also amends requirement that the notices published by newspapers be in a specific typeface (used for advertisements) to a requirement that notices be in legal notice typeface/format. *Option 1:* If public notices are published electronically only, approximately \$221,400 per year would be saved. *Option 2:* If public notices are published in newspapers using legal notice format, \$130,000 per year would be realized in savings. (*Option #2 was approved by your Office.*)

Most initiatives that came about as a result of the ZBB process are tied to the above legislative proposals. However, throughout the process **many other efficiencies** were identified and put into practice, or soon will be. Here are just a couple of examples:

**New business model for Federal Surplus Properties:** The brainstorming process of ZBB brought to light the utilization of technology for the operations of FSP. As a result, the operation will soon be moving from its large warehouse and yard to a smaller location. Rather than staff retrieving excess federal property and storing it, staff will serve as web-based brokers between the federal government and customers of FSP.

**Records Management:** The Records Center is implementing monetary incentives for state agencies to eliminate records at the Records Center that have exceeded their storage requirement, thus reducing rental costs for leased warehouse space.

**Cooperative Services:** Purchasing is negotiating with several state agencies on the collaboration of the various Postal and Copy Center functions within the Boise area to reduce duplicate functions and enhance services to agencies.

**School Safety Act:** As a result of discussions between the Administrators of Public Works and Building Safety, it was determined most efficient to transfer the responsibilities of school safety inspections from Public Works to Building Safety. All other responsibilities of this Act are carried out by Building Safety except for the occasional building inspection, which was assigned to Public Works. In FY11 Building Safety is proposing legislation to take on this duty as well.

**Realignment of Resources:**

The ZBB analysis provided insight into what the Department considers its top priorities. This has resulted in requests in FY11 to **realign existing resources** to support those priorities.

**Additionally, the Department is pleased to report that as a result of closely examining these resources, we discovered three FTP's that after much deliberation, were determined no longer required to fulfill our mission. We submit to you their elimination.**

**Creation of the Small Agency Support Cost Center:** This cost center responds to the Governor's initiative to co-locate small entities in order to share common spaces and cooperate on support services in order to reduce government over-head costs statewide. The Department has taken on this leadership role and will adjust its resources in order to phase in this new cost center.

To do so, initially we are requesting realignment of .75 FTP and \$20,000 spending authority to the Small Agency Support Cost Center. Additionally, \$36,300 in spending authority is requested from Risk Management to the small agency coordination effort.

**Shifting Resources - Internal Management:** In order to position our internal support to take on more agency support tasks and outreach, the Internal Management function will receive resources from other areas of the Department. With the proposed wind-down of the ISIF program, we request a transfer of one FTP to Internal Support along with \$36,000 of spending authority. Also to Internal Support will be the transfer of \$72,800 spending authority no longer required in Insurance Management, and \$14,500 from Administrative Rules. The FTP and spending authority will be utilized for a Financial Specialist, as well as funding for the Chief of Staff position. These shifts also include operating expenses.

**Shifts to Purchasing:** Regarded an agency priority is a position to assist the State Purchasing Manager and Officers in contract review, development, and tracking, and to work on the state's eProcurement system and conduct training. With the new business philosophy of FSP, one FTP can be transferred from FSP to Purchasing along with \$33,000 of personnel moneys and \$50,000 operating expenses.

**Shift to Idaho Education Network:** IEN is a very high priority of the Department and to facilitate its success, one FTP will be transfer from the ITRMC cost center to the IEN for a Project Officer. Currently, this Project Officer is funded with one-time stimulus dollars.

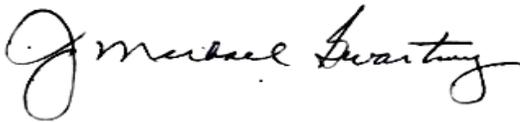
**Miscellaneous Transfers:** \$20,000 of spending authority will be transferred to Risk Management from Facilities Services as a result of ZBB efforts to realign expenditures. Also,

\$62,000 will be transferred to OCIO from Public Works for an Ethernet Circuit installation in the Capitol Mall. This is merely to correct a misappropriation.

**This memo has summarized the first-year efforts of the ZBB process.** Additional long term ambitions are scheduled over the next three years including such initiatives as, for example, Statewide Fleet Management, Statewide Collaboration of Purchasing Officers, Establishment of a State CIO, implementation of a OCIO Project Management Office, Enterprise Telephone System, Statewide Collaboration of Building Inspectors, Pursuit of Electronic Ads for Construction Bids, and the Creation of a Task Force to review the Low-Bid Practice for Construction projects.

We have appreciated the support from your Division, especially from David Hahn, as we worked our way through the Zero-Based Budgeting process over the last year. Realizing the benefits that resulted, and are yet to be realized made it all worthwhile. Should you have any questions or need further explanation on our FY11 Zero-Based Budget, please give Connie Smith a call at 332-1810.

Sincerely,

A handwritten signature in black ink that reads "Mike Gwartney". The signature is written in a cursive style with a large initial "M".

Mike Gwartney, Director  
Department of Administration

Enc: Administration's FY11 Budget  
ZBB Documentation

Cc: David Hahn, DFM Analyst  
Keith Reynolds, DFM Analyst  
Joe Austin, LSO Analyst  
Teresa Luna, Dept. of Administration Chief of Staff  
Connie Smith, Dept. of Administration Chief Financial Officer