Joint Committee on Performance Evaluation and Expenditure Review (PEER)
The Mississippi Legislature

Action Brief:

Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services
June 13, 2017 (Report #609)

Background:

In 2016 several legislative tax and budget review committees questioned whether savings could be realized if state agencies currently leasing private office space were to be housed in available space within the Capitol Complex and, in so doing, whether a shared services model might be implemented. A shared services model is an operational model in which office space, support, and administrative services are shared in order to increase cost efficiencies. The Department of Finance and Administration's Bureau of Building, Grounds and Real Property Management indicated to these committees that this type of model could be implemented within the Robert E. Lee State Office Building, which currently has 13,309 square feet of underutilized space.

In order to determine whether opportunities exist for placing rent-paying agencies in vacant space in State-owned buildings, and whether agencies so placed could take advantage of shared services arrangements to lower overhead costs, PEER conducted an economy and efficiency review of the State's current utilization of Capitol Complex real estate and appropriated funds used for leased office space. The evaluation also examined the potential for implementing a shared services model within the Robert E. Lee Building of the Capitol Complex and savings that might be realized.

Despite the significant real property assets and State-owned office space under Department of Finance and Administration (DFA) control, state agencies rent a considerable amount of office space. DFA records of January 2017 show 33 state agencies, boards, and commissions renting 1,078,554 square feet of office space in Hinds, Madison, and Rankin counties. Overall, these agencies expend about $10.4 million in lease payments to private lessors for office space.

While at present the square footage in the Robert E. Lee Building could not accommodate all 33 agencies, there is currently 13,309 square feet of available office space for which there are no tenants under consideration at this time. This space could accommodate the needs of several state agencies currently leasing office space, thus maximizing the use of State-owned property that must be maintained whether it is occupied or not.

Small health-related professional regulatory boards represent a category of state agencies that could potentially be relocated to available space in the Robert E. Lee Building.

Professional regulatory boards currently leasing office space tend to acquire space that is more expensive per square foot and exceeds the DFA's recommended space per employee leasing best practices.* Thus, in conjunction with the Bureau of Building, Grounds and Real Property Management, PEER developed a set of criteria to identify possible boards or commissions that might realize savings if available space within the Robert E. Lee Building were to be utilized, which included high lease costs per employee, similarity of functions within agencies, and, in agencies with similar functions, possible activities that could be included in shared services agreements to reduce operational costs.

Co-location of several small state agencies in vacant Capitol Complex office space creates an opportunity for shared services arrangements.

In a shared services arrangement, such things as office space, support, and administrative services—e.g., accounting or payroll—are shared in order to increase cost efficiencies. Two service categories that might be candidates for implementation of a shared services and space model among health-related professional regulatory boards

The health-related boards selected for this assessment—Mississippi State Board of Dental Examiners; Examiners for Licensed and Professional Counselors; Mississippi State Board of Medical Licensure; Mississippi Board of Nursing; Mississippi Board of Nursing Home Administrators; Mississippi Board of Pharmacy; and Mississippi State Board of Physical Therapy—spend a total of $56,525.56 on equipment rental and $90,668.25 on accounting and financial services annually. By reducing outlays in these categories, these boards will free up appropriated funds for other expenses.

In the event that the DFA determines that there are sufficient benefits to justify relocation of certain agencies to the Capitol Complex (Robert E. Lee Building), it should take all necessary steps to relocate such agencies as soon as practicable and revise or modify any existing master plans for utilization of vacant Capitol Complex space. DFA should continue to work with any co-located agencies to identify additional candidates for shared services agreements.

It must be noted that the agencies that were considered in this assessment are special fund agencies. These boards derive their operating funds from fees and charges and not from the general revenues of the state. Upon the relocation of any board or other state agency, appropriate amounts from each relocated to the Robert E. Lee Building are equipment rental and accounting and financial services.

relocated agency's special funds should be transferred to the general fund at least annually to defray the costs of providing office space, including from any special fund agencies already occupying State office space.

Additionally, any agency relocated to the Robert E. Lee Building should develop, with assistance from the DFA, a plan to pool and share costs associated with the procurement of office technology and financial services. New contracts for any such services should be between the DFA and the providers, with provisions by which the individual agencies will reimburse the state general fund for any costs incurred associated with contracting for such services.

PEER believes that the agencies identified in this report are logical and reasonable candidates for consideration for relocation as they have similar needs and address similar issues and problems. The Committee would suggest that other agencies could also be considered for relocation assuming that such would result in more efficient use of appropriated resources and present realistic possibilities for shared services.

**Although not the focus of this review, PEER identified at least 12 other state agencies in the Jackson metro area that lease office space exceeding DFA leasing best practices.*

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