Report to the Mississippi Legislature

Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services

#609
June 13, 2017

PEER
MISSISSIPPI
Joint Legislative Committee on Performance Evaluation and Expenditure Review

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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Honorable Phil Bryant, Governor
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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On June 13, 2017, the PEER Committee authorized release of the report titled ***Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services.***

Richard Bennett
Representative Richard Bennett, Chair

This report does not recommend increased funding or additional staff.

Table of Contents

List of Exhibits

Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services

Executive Summary

Introduction

In this report, the PEER Committee evaluated potential savings and efficiencies that could be realized if office space within State-owned property that is vacant at present were to be occupied by state agencies that currently lease office space and whether, in so doing, these agencies could share support services and realize additional savings for the State.

This report identifies the potential for better utilization of the State's real property assets by filling vacant space in the Capitol Complex—namely, the Robert E. Lee State Office Building—with certain professional regulatory boards that are currently paying rent to private lessors for office space.

Specifically, this project sought the following:

- to determine whether there are opportunities for placing rent-paying agencies in vacant space in State-owned buildings, and
- to determine whether agencies so placed could take advantage of shared services arrangements to lower overhead costs.

Background

During the summer of 2016, several legislative tax and budget review committees questioned whether savings could be realized if 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, as defined herein, is an operational model in which office space, support, and administrative services, such as accounting or payroll, are shared in order to increase cost efficiencies. The Department of Finance and Administration's Bureau of Building, Grounds and Real Property Management (Bureau of Building) 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 and potential for shared common spaces, e.g., boardrooms.

In order to pursue opportunities for maximum use of State resources, 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. Additionally, the evaluation examined the potential for implementing a shared services model within the Robert E. Lee State Office Building of the Capitol Complex and savings that might be realized from such.

Underutilized Property within the Capitol Complex

The State of Mississippi's real property assets in the downtown Jackson area, known as the Capitol Complex, is composed of buildings having a combined value of approximately $1.950 billion.[1] These assets contain 5,236,791 square feet of office space.

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 approximately $10.4 million in lease payments to private lessors for this space.

There is 13,309 square feet of office space available in the Robert E. Lee State Office Building 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.

Because there is limited space available, regulatory boards, which tend to have smaller staffs, become the principal candidates for consideration for such a relocation. PEER, in conjunction with the Bureau of Building developed a set of criteria to identify possible boards or commissions that might realize savings if available space within the Robert E. Lee State Office Building were to be utilized.

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[1] MISS. CODE ANN. § 29-5-2(a)(i) sets out DFA duties over certain buildings in downtown Jackson. These buildings include the New State Capitol Building; the Woolfolk State Office Building and Parking Garage; the Carroll Gartin Justice Building; the Walter Sillers Office Building and Parking Garage; the War Veterans' Memorial Building; the Charlotte Capers Building; the William F. Winter Archives and History Building; the Mississippi Museum Complex; the Gulf, Mobile and Ohio Train Depot (GM&O Depot); the Old State Capitol Building; the Governor's Mansion; the Heber Ladner Building; the Robert E. Lee State Office Building; the Robert E. Lee Parking Garage; the former Naval Reserve Center; 515 East Amite Street; 620 North Street; 660 North Street; 700 North State Street; the State Records Center; the Robert G. Clark, Jr. Building; the Mississippi State Fairgrounds Complex; and the former Central High Building, as well as all State-owned or -leased buildings situated on seat of government property.

Co-Location and Shared Services Agreements

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

Two potential service categories that might be candidates for implementation of a shared services and space model among health-related professional regulatory boards relocated to the Robert E. Lee State Office Building are equipment rental and accounting and financial services. The health-related boards selected for this assessment spend a total of $56,525.56 on equipment rental and $90,668.25 on accounting and financial services annually.[2] By reducing outlays in these categories, these boards will free up appropriated funds for other expenses.

Conclusion and Recommendations

Opportunities exist to better use both real property assets and appropriated funds through relocation of certain health-related professional regulatory boards to vacant space in state office buildings. This would reduce slack capacity in state office buildings and the amount of money being paid in rent to private lessors. The benefits from these savings would actually inure to these agencies as they would be called upon to spend less on rent, thereby making funds available for service delivery or savings. Implementing a shared services model could also reveal additional areas in which agencies that are co-located might realize further reductions in expenses.

PEER recommends that the following steps be taken to reduce costs to the state's general revenue through more efficient utilization of State property within the Capitol Complex and through the implementation of a shared services model:

1. The Department of Finance and Administration should revise or modify any existing master plans for utilization of vacant office space in the Capitol Complex to take into consideration the relocation of certain special fund agencies from leased office space to the Capitol Complex. Such revisions should include consideration of all costs and benefits associated with relocation, including actual monetary savings from the reduction of rents paid by special fund agencies.
2. In the event that the Department of Finance and Administration determines that there are sufficient benefits to justify relocation of certain agencies, it should take all necessary steps to relocate such agencies to the Capitol Complex as soon as practicable.
3. Additionally, the Department of Finance and Administration should determine the costs associated with

[2] Compiled by PEER based on MAGIC (Mississippi's Accountability System for Government Information and Collaboration) data for fiscal year 2016.

locating the offices of such special fund agencies in the Capitol Complex and report this cost to the Legislature's Appropriations Committees. Appropriate amounts from each relocated agency's special funds should be transferred to the general fund to defray the costs of providing office space, including from any special fund agencies already occupying State office space.

4. Any agency relocated to the Robert E. Lee State Office Building in accordance with these recommendations should develop, with assistance from the Department of Finance and Administration, 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 Department of Finance and Administration 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.

5. The Department of Finance and Administration should in the future work with any co-located agencies to identify additional candidates for shared services agreements consistent with the previously cited best practices.

6. The Department of Finance and Administration should report to the PEER Committee at three-month intervals on its progress in implementing these recommendations, as well as any impediments to successful implementation, until such time as the Robert E. Lee State Office Building is fully occupied.

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Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services

Introduction

Authority

Pursuant to the authority granted in MISS. CODE ANN. § 5-3-57 (1972), the PEER Committee evaluated potential savings and efficiencies that could be realized if office space within State-owned property that is vacant at present were to be occupied by state agencies that currently lease office space and whether, in so doing, these agencies could share support services and realize additional savings for the State.

The Committee acted in accordance with MISS. CODE ANN. § 5-3-51 et seq.

Scope and Purpose

This report identifies the potential for better utilization of the State's real property assets by filling vacant space in the Capitol Complex—namely, the Robert E. Lee State Office Building—with certain professional regulatory boards that are currently paying rent to private lessors for office space. Such boards tend to have smaller staffs and require less floor space. Additionally, as identified in tax and budget review committee meetings prior to the 2017 Legislative Session, the possibility exists for further savings to these agencies and the State from the sharing of certain administrative and support functions (shared services).

Specifically, this project sought the following:

- to determine whether there are opportunities for placing rent-paying agencies in vacant space in State-owned buildings, and
- to determine whether agencies so placed could take advantage of shared services arrangements to lower overhead costs.

Method

During the course of this review, PEER

- evaluated data obtained from the Department of Finance and Administration reflective of the current utilization of State- and privately owned office space by state agencies;
- researched the effectiveness of various shared services models;
- developed a best practices guide in regard to the implementation of a shared services model; and
- developed, in consultation with the Department of Finance and Administration, a model example of implementation of a shared services plan in order to conduct a cost analysis.

Background

During the summer of 2016, several legislative tax and budget review committees questioned whether savings could be realized if 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, as defined herein, is an operational model in which office space, support, and administrative services, such as accounting or payroll, are shared in order to increase cost efficiencies. The Department of Finance and Administration's Bureau of Building, Grounds and Real Property Management (Bureau of Building) 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 and potential for shared common spaces, e.g., boardrooms.

The Bureau of Building is given the authority to review and approve state agency leases with private lessors under MISS. CODE ANN. § 29-5-2(c), which lists the following as one of the duties of the Office of General Services:

> *To approve or disapprove with the concurrence of the Public Procurement Review Board, any lease or rental agreements by any state agency or department, including any state agency financed entirely by federal and special funds, for space outside the buildings under the jurisdiction of the Department of Finance and Administration, including space necessary for parking to be used by state employees who work in the Woolfolk Building, the Carroll Gartin Justice Building or the Walter Sillers Office Building….*

Although the Bureau of Building can approve or disapprove of state agency leases outside of property owned by the State, when there is no readily available State-owned space and a lease is considered to be reasonable, agencies can lease office space, and the Bureau of Building has no reason to deny the lease. However, each lease contains a clause that allows for revocation with only a month's notice to the private lessor if State-owned space becomes available for the agency. Thus, any renovations or more efficient utilization of space within the Capitol Complex that opens up space suitable to any board or commission privately leasing space would be grounds to enact the revocation clause and terminate a lease.

In order to pursue opportunities for maximum use of State resources, 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. Additionally, the evaluation examined the potential for implementing a shared services model within the Robert E. Lee State Office Building of the Capitol Complex and savings that might be realized from such. This work was performed with the assistance of the Department of Finance and Administration's Bureau of Building, Grounds and Real Property Management.

Underutilized Property within the Capitol Complex

Over the years, the State of Mississippi has developed significant real property assets in the downtown Jackson area. Known as the Capitol Complex, this area, located in the immediate vicinity of the New State Capitol Building, is composed of buildings having a combined value of approximately $1.950 billion.[3] These assets contain 5,236,791 square feet of office space for the many agencies of state government. Beginning in fiscal year 2017, this space is entirely supported by the State general fund as the agencies using these buildings no longer pay rent to the Department of Finance and Administration (DFA), the state agency responsible for management and upkeep of the State's real property assets.

Utilization of State-Owned Assets

Despite the significant real property assets and State-owned office space under Department of Finance and Administration control, state agencies rent a considerable amount of office space.

Despite the large investment in State-owned office space under DFA control, both within and beyond the Capitol Complex,[4] agencies of the government nonetheless 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

[3] MISS. CODE ANN. § 29-5-2(a)(i) sets out DFA duties over certain buildings in downtown Jackson. These buildings include the New State Capitol Building; the Woolfolk State Office Building and Parking Garage; the Carroll Gartin Justice Building; the Walter Sillers Office Building and Parking Garage; the War Veterans' Memorial Building; the Charlotte Capers Building; the William F. Winter Archives and History Building; the Mississippi Museum Complex; the Gulf, Mobile and Ohio Train Depot (GM&O Depot); the Old State Capitol Building; the Governor's Mansion; the Heber Ladner Building; the Robert E. Lee State Office Building; the Robert E. Lee Parking Garage; the former Naval Reserve Center; 515 East Amite Street; 620 North Street; 660 North Street; 700 North State Street; the State Records Center; the Robert G. Clark, Jr. Building; the Mississippi State Fairgrounds Complex; and the former Central High Building, as well as all State-owned or -leased buildings situated on seat of government property.

[4] MISS. CODE ANN. § 29-5-81 places several other buildings or complexes under DFA control. These include in the Jackson area the Barefield Complex, the Sun-n-Sand Motel, the Sports Hall of Fame, the Department of Health Complex, the Children's Museum, and the Crafts Center. Much of this would not be appropriate for the location of state agency offices.

agencies expend approximately $10.4 million in lease payments to private lessors for this space.

While at present the square footage in state buildings could not accommodate all of these agencies, PEER notes that currently 13,309 square feet of office space is available in the Robert E. Lee State Office Building 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.

In view of the availability of vacant space in the Robert E. Lee State Office Building, and the considerable amount of space being leased, the question arises: Are there agencies that would be appropriate candidates for relocation to the Robert E. Lee State Office Building?

Because there is limited space available, regulatory boards, which tend to have smaller staffs, become the principal candidates for consideration for such a relocation. Thus, PEER, in conjunction with the Bureau of Building, developed a set of criteria to identify possible boards or commissions that might realize savings if available space within the Robert E. Lee State Office Building were to be utilized.

Considered when identifying possible candidates were the following criteria:

- 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.

Selected for this assessment were the following health-related regulatory boards, all of which but the Examiners for Licensed and Professional Counselors are currently renting from private lessors:

- 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.

The Examiners for Licensed and Professional Counselors currently occupies space in the Robert E. Lee State Office Building but under this model could participate in shared services and reduce space utilization as well.

Of critical importance to PEER's analysis was the cost per employee associated with continued leasing of space from private owners. Exhibit 1 shows the current cost per employee borne by the selected boards based on current staffing levels and rents paid.

Potential Savings from Maximizing the Use of Capitol Complex Space

Professional regulatory boards currently leasing office space tend to acquire space that is more expensive per square foot and exceeds Department of Finance and Administration recommended space per employee standards.

In reviewing amounts paid to private lessors, PEER evaluated the economy of such against DFA-recommended standards of square footage that should be allocated to agency employees. Although not binding on agencies, the standard gives each leasing agency guidance regarding possible excessiveness in its leasing decisions.

Exhibit 1: Square Footage and Lease Costs Per Employee

Board	Square Footage Leased	Annual Rent	Number of Employees	Square Foot Per Employee	Annual Cost Per Employee
Dental Examiners	4,459	$ 79,147	7	637.00	$11,307
Examiners for Licensed and Professional Counselors*	1,797	Not Applicable	3	599.00	Not Applicable
Medical Licensure	10,937	$ 147,650	23	475.52	$ 6,420
Nursing	14,616	$ 219,240	39	374.77	$ 5,622
Nursing Home Administrators	2,266	$ 32,880	5	453.20	$ 6,576
Pharmacy	9,251	$ 120,660	13	711.62	$ 9,282
Physical Therapy	2,100	$ 26,250	3	700.00	$ 8,750
Totals	**45,426**	**$ 625,827**	**93**	**564.44**	

*Examiners for Licensed and Professional Counselors is already housed in the Robert E. Lee State Office Building and, as of fiscal year 2017, agencies occupying Capitol Complex space are supported by the State general fund and no longer pay rent.

SOURCE: Boards and Commissions' Leased Space Data from the Bureau of Building, Grounds and Real Property Management.

PEER notes that the average square footage per employee of the boards leasing private space (which excludes the Examiners for Licensed and Professional Counselors) shown in Exhibit 1 (page 6) is 558.69 square feet and the leasing boards are paying an average of $7,993 per employee.

Exhibit 2 on page 8 depicts what the lease costs would have been if leases had been entered into using what the Department of Finance and Administration considers to be best practices for space per employee.

The cost per employee shown in Exhibit 2 was calculated using the Space Evaluation Form provided by the Bureau of Building (Appendix B, page 18). Each calculation for each board considers one employee to be an Executive/Division Director who was allocated a maximum of 225 square feet, and all other employees are considered top management employees and were allocated the maximum of 175 square feet. The average cost per square foot used to calculate cost was $15 per JBHM Architecture (the firm that consulted on the cost of moving the Mississippi Management and Reporting Systems office from its private lease to the renovated Robert G. Clark, Jr. Building) and the DFA's estimate of market average in the downtown area. Given these factors, the amount saved would be

$625,827 – 240,750 = $385,077.

Thus, these agencies would realize an annual net savings of almost $400,000 if their leasing of space fell within DFA-recommended standards. Accordingly, if the DFA could house them in the Capitol Complex at costs not exceeding those recommended for staff space, the boards in question would realize this savings through lower rents paid.

PEER notes that the agencies in question are special fund agencies. These boards derive their operating funds from fees and charges, and not from the general revenues of the state. Whereas the 2016 Legislature made many special fund agencies general fund agencies, and further eliminated the requirement that the Department of Finance and Administration charge rent to state agencies, still most of their current tenants are general fund agencies. In the case of these special fund agencies, moving to State-owned space would allow them to be "free riders" on the State unless required to at least make an annual payment to the general fund for the reasonable cost of office space and support.

Further, similarity of function makes these agencies possible candidates for placement in the available State-owned space at the Robert E. Lee State Office Building. All of the boards that were evaluated regulate entry into and professional conduct of professionals in health-related fields. All require waiting space, board meeting space, and a staff attuned to the requisites of confidentiality when dealing with matters that touch upon the provision of health-care services to members of the public.

Exhibit 2: Lease Costs Based on DFA Best Practices

Board	Max Square Footage Using BOB	Annual Rent at $15 Per Square Foot	Number of Employees	Square Foot Per Employee	Annual Cost Per Employee
Dental Examiners	1,275	$ 19,125	7	182.14	$ 2,732
Examiners for Licensed and Professional Counselors*	575	Not Applicable*	3	191.67	Not Applicable*
Medical Licensure	4,075	$ 61,125	23	177.17	$ 2,658
Nursing	6,875	$ 103,125	39	176.28	$ 2,644
Nursing Home Administrators	925	$ 13,875	5	185.00	$ 2,775
Pharmacy	2,325	$ 34,875	13	178.85	$ 2,682
Physical Therapy	575	$ 8,625	3	191.67	$ 2,875
Totals	**16,625**[5]	**$ 240,750**	**93**	**183.25**	

*Examiners for Licensed and Professional Counselors is already housed in the Robert E. Lee State Office Building and therefore does not pay rent as of FY 2017.

SOURCE: PEER analysis.

PEER notes the average square footage per employee of the aggregate rent-paying boards in Exhibit 2, which excludes the Examiners for Licensed and Professional Counselors, is 181.85 square feet with an average cost of $2,728 per employee. This can be compared to 558.69 square feet per employee and average cost of $7,993 per employee of the same boards (Exhibit 1, page 6). Although Examiners for Licensed and Professional Counselors does not contribute to hard cash savings regarding rent reduction from private lessors, it is a candidate for shared services and could reduce its square footage under DFA best leasing practices. This would allow for further optimization of space utilization within the Robert E. Lee State Office Building and contribute to cost savings, as can be seen by comparing the total potential square footage reduction between Exhibit 1 and Exhibit 2.

(Although not the focus of this review, PEER identified at least 12 state agencies in the Jackson metro area that lease office space with square footage amounts in excess of DFA's leasing best practices. See Appendix A, page 17.)

[5] PEER notes that although this amount of square footage exceeds the amount available in the Robert E. Lee State Office Building for lease, PEER conservatively calculated square footage savings using the DFA-allowed 225 square feet for high-level staff. This resulted in higher than necessary square footage for these boards.

Additional Cost Considerations

Other costs, such as parking or the expenses of moving, also must be evaluated before determining any resultant savings from relocation of state agencies.

Related costs of relocation, such as moving expenses or securing parking, also must be assessed. However, parking is already an expense in the aforementioned boards' private leases. Additionally, the Department of Finance and Administration has indicated that sufficient parking is available to meet these boards' needs at the Robert E. Lee State Office Building. Therefore, no additional costs would be incurred to secure parking as a result of moving certain professional health-related regulatory boards examined for this assessment into the Robert E. Lee State Office Building.

Further, moving expenses for these agencies would not be excessive[6] because current Capitol Complex renovations include installing modular furniture to prepare the space for occupancy. Additionally, using modular furniture would alleviate the expenses of moving agency furniture, limiting items to be moved to only property currently owned by the State, such as computer hardware, which would be handled by the DFA, or personal property, which would be handled by the boards' employees.

[6] According to DFA's Bureau of Building, Grounds and Real Property Management, costs to renovate space in the Robert E. Lee Building would run between $70 and $80 per square foot. However, because of deferred maintenance costs required at this building, the cost would be incurred regardless of whether or not the building is occupied within the next three to five years.

Co-Location and Shared Services Agreements

Co-location of several small state agencies in vacant Capitol Complex office space creates an opportunity for shared services arrangements between those agencies. This chapter presents the following:

- an overview of the structural models used by state regulatory bodies;
- best practices for implementing a shared services model; and
- possible areas in which shared services arrangements could exist between the agencies selected for this assessment for co-location at the Robert E. Lee State Office Building.

Efficient Administrative Models for Optimizing Utilization of Office Space and Services

There are predominately three types of administrative models used by regulatory agencies throughout the nation: the centralized agency model, independent and autonomous boards, and a combination of the two.

Administrative Models for Regulatory Boards

What types of administrative models are used by regulatory authorities throughout the nation?

PEER contacted the Council on Licensure, Enforcement, and Regulation (CLEAR), a resource organization for groups and individuals involved in licensure or registration of regulated occupations and professions, which identified three types of administrative models:

- centralized agencies,
- independent and autonomous boards, or
- a combination of the two.

Centralized agencies often combine administrative functions and typically employ an administrator appointed by the state's governor to provide oversight of the boards' licensing and regulatory activities, personnel, or finances. Autonomous boards, on the other hand, employ staff directly to work only for them.

Historically, Mississippi has utilized small, independent, autonomous boards for the oversight of professions and occupations. Such boards are generally overseen by appointees who are "market participants"; that is, they engage in the practices they are charged with regulating. Such agencies tend to be funded through the imposition of fees and charges collected from licensed professionals and in some cases fines charged against persons who are penalized by the boards for engaging in some form of actionable misconduct.

While some states have moved away from this type of regulatory structure (Texas, for example), many states continue to use small, autonomous boards for such regulation.

The use of such boards composed of market participants has been the subject of considerable study and concern since the United States' Supreme Court issued its opinion in *North Carolina State Board of Dental Examiners v. FTC.*[7]

The case arose after the North Carolina State Board of Dental Examiners took legal action against persons engaged in the business of teeth whitening, a procedure that was not set out in statute as falling within the definition of the practice of dentistry. The board, using the discretion that it believed the law vested in its members, issued cease-and-desist letters to persons engaged in the business of teeth whitening.

Subsequent to the dental board's actions, the Federal Trade Commission charged the board with violating provisions of the antitrust statutes of the United States. The board offered the well-established state action antitrust immunity defense to the federal antitrust action. Sovereign actors are generally immune from antitrust actions.

A majority of the Court concluded that a board controlled by market participants should be treated like a non-sovereign actor. Accordingly, supervision by the state is necessary to avoid anticompetitive self-dealing.

After *NC Dental*, states have found it necessary to review their laws addressing the regulation of professions and occupations. During the 2017 Legislative Session, Mississippi made some revisions to its laws dealing with boards composed of market participants and enacted House Bill 1425, otherwise known as the "Occupational Board Compliance Act of 2017." This bill provides oversight of the rulemaking authority of the professional boards but retains their existing structure.

In view of the fact that Mississippi has chosen to retain the use of small, autonomous regulatory boards, this report does not discuss in further detail the possibility of consolidating them into centralized agencies except to note that it is possible and has been done elsewhere.

The balance of this report discusses how the small, autonomous boards selected for this assessment could share services to maximize efficient use of funds.

[7] 574 US ___, 135 S.Ct. 1101 (2015).

Best Practices for Implementing a Shared Services Administrative Model

In April of 2013, the Shared Services Subcommittee of the Federal Chief Information Officers Council, published a best practices implementation guide for federal shared services. This guide can also serve as a resource for state governments.

The implementation guide published by the Shared Services Subcommittee of the Federal Chief Information Officers Council (CIOC) outlines two best practice options when identifying services that may be shared among government entities to reduce costs and maximize the use of state dollars: intra-agency and inter-agency. Although the *intra-agency* approach of consolidating independent agencies under a singular administrative entity may increase efficiency regarding some procured services, it may reduce it in other areas. PEER analysis of the use of these models has found that the consolidation model may increase efficiency regarding some functions but potentially at the price of decreased quality of service.

The *inter-agency* approach is designed for implementing a shared services model among agencies that maintain their independent status. Because studies have indicated that the inter-agency model is more efficient than consolidation, this report focuses on implementation of shared services between independent agencies. Therefore, PEER has summarized and tailored applicable best practices from the CIOC's federal inter-agency approach to provide a guide for streamlining the implementation of this model at the state level.

Identifying Services That Can Be Effectively Shared among Agencies

The inter-agency approach lays out three broad categories of services that may be shared among agencies—commodity IT services, support services, and mission services.

These categories are described by the Chief Information Officers Council as follows:

- Commodity IT Services:
    - IT infrastructure (e.g., data centers networks, workstations, laptops, software applications, and mobile devices); and
    - Enterprise IT services (e.g., email, web infrastructure, collaboration tools, security, identity, and access management).

  Commodity IT is asset-oriented whereas enterprise IT services may, at times, be more utility-oriented (defined as purchasing by usage rate).

- Support Services: These include functional areas, such as budgeting, finance, human resources, asset, and property and acquisition management.

- Mission Services: These are core purpose and functional capabilities.

The CIOC notes that an agency's annual development of a strategic plan provides an area of opportunity for it to collect the data needed to isolate potential shared services opportunities. The CIOC recommends adding the following questions for consideration by an agency during its annual strategic planning process:

- What is the performance of existing processes and services?
- What existing capabilities can be improved?
- What is the cost structure of current capabilities?
- How efficient is the service delivery?
- What new capabilities are needed and already funded in other agencies?

Adding this series of questions to the process will help agencies identify service gaps. Additionally, consideration of the question regarding new capabilities will encourage agencies to look for shared services opportunities with other state agencies to avoid inefficient and costly duplication of administrative services. Additionally, as noted in a California study, many smaller independent agencies experience a decrease in efficiency because of continued use of outdated and costly systems. The study notes that this problem arises from a lack of uniform best practices among these agencies, which leads to service gaps resulting from insufficient data regarding their performance levels.

Best Potential Areas for Shared Services among Selected Agencies

Two potential service categories that might be candidates for implementation of a shared services and space model are equipment rental and accounting and financial services.

Among health-related professional regulatory boards relocated to the Robert E. Lee State Office Building equipment rental and accounting and financial services were identified as potential candidates for shared services and space. However, additional services that are not as prevalent among such boards and agencies, such as outside data lines and legal services, also might be appropriate for sharing.

Because professional health-related regulatory boards often have limited staff, the expertise needed to carry out certain functions may require contractual services. Currently, according to data collected from Mississippi's Accountability System for Government Information and Collaboration (MAGIC—the statewide accounting and procurement system), the health-related boards selected for this assessment spend a total of $56,525.56 on equipment rental and $90,668.25 on accounting and financial services annually. These two service categories total $147,193.81 in contractual expenses each year. The bulk of these contracts are made for copiers and postage machines under the equipment rental category.

Contracts made under the accounting and financial services category include such services as the following:

- providing assistance in determining the method needed to purchase goods and services;
- entering all purchase orders into MAGIC;
- entering payment vouchers and governmental payments and transfers;
- entering cash receipts in order to transfer revenue deposited in the bank clearing account to the state treasury;
- entering travel vouchers into the state payroll and human resources system and process travel for payments;
- entering time reporting records and processing all human resource and payroll transactions;
- reviewing reports and communications from regulatory agencies and advising on proper responses to said communications;
- providing financial reporting;
- assisting in planning, converting, and implementing MAGIC; and
- providing additional accounting services as needed to ensure that monthly accounting functions are performed.

Thus, the current expenses of $147,193.81 in the aforementioned contractual service categories could potentially be reduced by a substantial amount if these boards shared copiers and postage machines as well as accounting services where possible. By reducing outlays in these categories, these boards will free up appropriated funds for other expenses.

Conclusion and Recommendations

As illustrated by this report, opportunities exist to better use both real property assets and appropriated funds through relocation of certain health-related professional regulatory boards to vacant space in state office buildings. This would reduce slack capacity in state office buildings and the amount of money being paid in rent to private lessors. The benefits from these savings would actually inure to these agencies as they would be called upon to spend less on rent, thereby making funds available for service delivery or savings. Implementing a shared services model could also reveal additional areas in which agencies that are co-located might realize further reductions in expenses.

PEER recommends that the following steps be taken to reduce costs to the state's general revenue through more efficient utilization of State property within the Capitol Complex and through the implementation of a shared services model:

1. The Department of Finance and Administration should revise or modify any existing master plans for utilization of vacant office space in the Capitol Complex to take into consideration the relocation of certain special fund agencies from leased office space to the Capitol Complex. Such revisions should include consideration of all costs and benefits associated with relocation, including actual monetary savings from the reduction of rents paid by special fund agencies.

2. In the event that the Department of Finance and Administration determines that there are sufficient benefits to justify relocation of certain agencies, it should take all necessary steps to relocate such agencies to the Capitol Complex as soon as practicable.

3. Additionally, the Department of Finance and Administration should determine the costs associated with locating the offices of such special fund agencies in the Capitol Complex and report this cost to the Legislature's Appropriations Committees. Appropriate amounts from each relocated agency's special funds should be transferred to the general fund to defray the costs of providing office space, including from any special fund agencies already occupying State office space.

4. Any agency relocated to the Robert E. Lee State Office Building in accordance with these recommendations should develop, with assistance from the Department of Finance and Administration, 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 Department of Finance and Administration 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.

5. The Department of Finance and Administration should in the future work with any co-located agencies to identify additional candidates for shared services agreements consistent with the previously cited best practices.
6. The Department of Finance and Administration should report to the PEER Committee at three-month intervals on its progress in implementing these recommendations, as well as any impediments to successful implementation, until such time as the Robert E. Lee State Office Building is fully occupied.

Appendix A: Select Metro Area Boards and Commissions with High Square Footage to Employee Ratios

Board	Address	Number of Employees	Total Square Footage	Average Square Footage/ Employee	Annual Rent
Auctioneer Commission	5135 Galaxie Dr., Suite 500 E (Hinds)	1	750	750	$7,200
Board of Tax Appeals	2679 Crane Ridge Dr., Suite A (Hinds)	6	1,556	259	$21,365
Department of Banking and Consumer Finance	4780 I-55 North (Hinds)	25	11,500	460	$143,750
Motor Vehicle Commission	1755 Lelia Dr., Suite 200 (Hinds)	6	3,884	647	$50,716
Real Estate Commission	4780 I-55 North (Hinds)	18	8,250	458	$103,125
Soil and Water Conservation Commission	680 Monroe St., Suite B (Hinds)	15	5,056	337	$68,256
Board of Architecture	2 Professional Parkway, Suite B (Madison)	2	1,218	609	$20,097
Board of Contractors	2679 Crane Ridge Dr., Suites B & C (Hinds)	18	5,958	331	$92,349
Board of Funeral Service	3010 Lakeland Cove, Suite W (Rankin)	2	2,000	1,000	$28,080
Board of Public Accountancy	5 Old River Place, Suite 104 (Hinds)	6	2,900	483	$34,800
Oil and Gas Board	500 Greymont Avenue, Suite E (Hinds)	34	15,731	463	$171,600
Board of Barber Examiners	510 George St., Suite 400 (Hinds)	3	1,200	400	$15,000

SOURCE: Boards and Commissions' Leased Space Data from the Bureau of Building, Grounds and Real Property Management.

Appendix B: Bureau of Building and Grounds Space Evaluation Form Template

BUREAU OF BUILDING, GROUNDS AND REAL PROPERTY MANAGEMENT
STATE AGENCY LEASING IN NON-STATE OWNED SPACE

SPACE EVALUATION FORM **RPM-3**

The Division of Real Property Management does not dictate to the Agency the size of each room. The purpose of the square feet assigned each category on this form is to determine the maximum allowable square feet an Agency may lease.
EMPLOYEES ARE CLASSIFIED INTO THE FOLLOWING CATEGORIES:

Employee	Number Allotment Requirement	
Executive / Division Director (DR)	______ X 225 s.f. = ______	______
Top Management (TM)	______ X 175 s.f. = ______	______
Middle Management (MM)	______ X 125 s.f. = ______	______
Professional Technical, Other (Except Clerical)	______ X 100 s.f. = ______	______
Work Stations (WS) 1 per person with justification	______ X 50 s.f. = ______	______
Clerical and/or Support (CS) **Work Station (WS) ½ per person with justification**	______ X 80 s.f. = ______ ______ X 25 s.f. = ______	______ ______
Add 20% for Bathroom and Hallway **ADDITIONAL AREA NEEDS** ***All area listed below requires a narrative explaining the necessity for this space**	**Sub Total = ______** **Sub Total ______x 1.2 (20%) =** **Average Sq. Ft. per person ______**	______
Waiting Room (s) Based on average occupancy for a typical 1 hour period of the day	______ X 15 s.f. = ______	______
Conference Room (s) Based on average occupancy	______ X 25 s.f. = ______	______
Supply/Storage Room **Office Machine(s)** **File Cabinets**	**ACTUAL FLOOR SPACE REQUIRED ______** **(Allow for traffic)**	______
Other Space	**Describe by narrative. Explain Method used to determine area. ______**	______

Sub Total = ______

NET USABLE AREA REQUIRED ______

MAXIMUM ALLOWABLE SPACE (NET + 15%) =______ SQ. FT.

(Page 1 of 1 **RPM-3**)

3/15/97 tw 33

SOURCE: DFA Bureau of Building, Grounds and Real Property Management.

STATE OF MISSISSIPPI
GOVERNOR PHIL BRYANT

DEPARTMENT OF FINANCE AND ADMINISTRATION
LAURA D. JACKSON
EXECUTIVE DIRECTOR

May 26, 2017

Mr. Barton Norfleet
Post Office Box 1204
Jackson, Mississippi 39215-1204

RE: PEER Report Response

Mr. Norfleet:

The Mississippi Department of Finance & Administration (DFA) has reviewed the PEER report entitled "Potential Cost Savings from Increasing the Utilization of State Property and Shared Support Services", and concur with the facts and conclusions of the report. The configuration and floor plate size of the Robert E. Lee Building is particularly suited to accommodate the needs of relatively small boards and commissions, and contains existing board and meeting rooms that could be readily utilized as a shared resource on both the second and twelfth floors. The existing Robert E. Lee Parking Garage affords ample parking for both tenants and convenience to the public.

Typically, most of the many boards and commissions occupy buildings provided by private lessors and must include space for board and meeting rooms that are infrequently used. This leasing of infrequently used space places an unneeded burden on State funds which can be alleviated by moving these boards and commissions into state-owned property with sufficient numbers and sizes of meeting rooms that can be shared if proactively and centrally managed.

We further concur with the proposed concept of co-locating boards and commissions for related professions under one roof. In addition to cost savings, such co-location allows for synergies among such entities. In order to maximize cost savings, priority should be given to current entities that are not currently housed in other state or state-affiliated facilities and are paying higher than market rate rents.

A secondary benefit is that accounting, purchasing and other "back office" functions could be provided by a larger agency with skills in such matters. This will provide another source of relief by making it possible to eliminate the need to privately contract for such assistance (which is currently done).

Concerning the shared services aspect of the report, it does seem reasonable that significant savings could be attained. Ideally a portion of the savings by the entities benefited would be captured by DFA for any services or costs incurred due to these Special Fund Agencies. Co-location at the Robert E. Lee Building offers additional IT opportunities as it is on the State's fiber network and allows for potential virtualization of servers at the State Data Center.

Sincerely,

Charles R Snowden

Mr. Charles R. Snowden
Deputy Executive Director

cc: Mr. James Barber, Executive Director of PEER Committee
Mr. Ted Booth, General Counsel for the PEER Committee
Mrs. Laura Jackson, Executive Director of the Department of Finance and Administration
Mr. Glenn R. Kornbrek, Director of the Bureau of Building, Grounds and Real Property Management

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