



Report to the Legislature

**Fiscal Year 2002 Supplemental
Administrative Reductions**

Chapter 371, Laws of 2002
(ESSB 6387a), Section 211(5)
RCW (uncodified)
Report No. 1

July 1, 2002

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FISCAL YEAR 2002 SUPPLEMENTAL ADMINISTRATIVE REDUCTIONS

Introduction

This report is provided to the Washington State Legislature as required under Chapter 371, Laws of 2002 (ESSB 6387a), Section 211(5), which reads:

“The department shall implement reductions in administrative expenditures assumed in these appropriations that achieve ongoing savings, reduce duplicative and redundant work processes, and, where possible, eliminate entire administrative functions and offices. The department may transfer among sections and programs to achieve these savings provided that reductions in direct services to clients and recipients of the department shall not be counted as administrative reductions. The department shall report to the appropriate committees of the legislature a spending plan to achieve these reductions by July 1, 2002, and shall report actual achieved administrative savings and projected saving for the remainder of the biennium by December 1, 2002.”

Administrative reductions totaling \$10,490,000 (\$7,050,000 General Fund-State (GF-S)) were placed in the Department of Social and Health Services (DSHS) Program 110, Administration and Supporting Services, portion of the department’s budget in two separate budget steps:

1. **IT Systems Streamlining - \$2,503,000 (\$1,503,000 GF-S).** This step was intended to achieve savings through reduced utilization of information services and also through reduced prices and economies of scale for IT equipment purchased in bulk for several programs.
2. **Administrative Reductions - \$7,987,000 (\$5,547,000 GF-S).** This is a more general administrative cut, with the department given the flexibility to make reductions either in central administration or to administrative functions in the programs. In accordance with instructions in the budget notes and proviso language from the budget bill, reductions will not be made to direct services for clients and recipients.

Reductions in Central Administration

Central Administration (or Program 110, Administration and Supporting Services) provides infrastructure services to all DSHS programs, including budget and accounting functions, personnel, facilities management, purchasing, research and data analysis, fraud investigations, and other internal functions. With a \$53 million budget in Fiscal Year 2003 (\$28.7 million GF-S), Central Administration represents less than one percent of the entire department’s budget.

Program 110 will take a \$4,474,000 (\$2,552,000 GF-S) reduction in Fiscal Year 2003. This will come in the way of staff reductions and service cuts in the Office of the Secretary, Budget, Accounting, Legislative Relations, Communications, Facility Management, Research and Data Analysis, Human Resources, Access and Equal Opportunity, and Fraud Investigations. To meet the reduction goals, some functions in these offices will be eliminated, and many vacancies will remain unfilled. Travel and equipment restrictions begun in Fiscal Year 2002 will continue. Estimated staff reductions are 70 Full Time Equivalents (FTEs), however, the exact number of positions affected will depend on how each office implements its cuts based on reductions in force, hiring freezes, unfilled vacancies, and other savings measures.

Of the \$1,503,000 GF-S assumed in the *IT Systems Streamlining* step, \$1,000,000 of it was intended as savings from bulk purchasing of equipment. However, because of separate equipment reductions allocated to the department as part of the 2002 Supplemental Budget, the volume of equipment purchases planned for Fiscal Year 2003, and subsequently the assumed savings, will not be as great as this step assumed. As of this report, the savings from bulk purchasing are estimated to be around \$388,000 GF-S this year. The remainder has to be taken in the form of other types of administrative reductions, and has been distributed accordingly.

The following shows how the General Fund-State from the combination of the *IT Systems Streamlining* and *Administrative Reduction* steps was divided among the department's administrations. The size of each program's headquarters budget was used as the basis for its share of the total reductions, however programs may choose to make reductions in regional administration if possible. Although \$2,940,000 of federal funds was assumed in these two steps, the total funds impact for each program will likely differ, depending on the nature of cuts each program opts for, and what "other funds" splits may apply within those programs.

010 Children's Administration	\$56,094
020 Juvenile Rehabilitation	\$90,471
030 Mental Health	\$194,486
040 Developmental Disabilities	\$222,025
050 Aging and Adult Services	\$410,507
060 Economic Services	\$1,821,768
070 Alcohol and Substance Abuse	\$455,413
080 Medical Assistance	\$1,200,316
100 Vocational Rehabilitation	\$46,482
110 Administrative Services	\$2,552,438
Total	\$7,050,000

Note: Children's Administration's share of the cut is small relative to this program's size. It had a separate administrative reduction step in its own budget of \$1,010,000 (\$737,000 GF-S).

Reductions Distributed to Programs

The direct service administrations have only recently received their reduction targets, and are still making internal decisions about how to meet those targets. While programs are still determining exactly what steps they will take to implement their respective reductions, following are some examples of actions already planned:

Division of Alcohol and Substance Abuse (DASA) - 10 FTE reductions in headquarters staff. This reduction is already in effect. The estimated annual savings from these 10 positions is approximately \$500,000 (\$420,000 GF-S). The services affected by the re-alignment are: 1) DASA will no longer administer the High Intensity Drug Trafficking Area (HIDTA) Federal Grant at the end of this year; 2) The Grants Section will no longer provide the free service of writing federal grant proposals for its partners; 3) DASA will close out the State Incentive Grant Program that is due to expire June 30th; 4) DASA will limit the administrative workload related to employment and housing support services for clients. These services are available from other state and local agencies.

Medical Assistance Administration - Reorganization of MEDS unit. These activities support eligibility determination for children and pregnant women, and will be reduced by an estimated 20 positions by January 2003, at which time the Economic Services Administration will take direction of the MEDS personnel as part of its own eligibility activities. This reorganization will not include the Foster Care Medical Unit, Take Charge, Breast and Cervical Cancer Treatment program, or the Children's Health Insurance Program.

Mental Health Division and Division of Developmental Disabilities – Staff reductions at Consolidated Support Services (CSS). CSS provides centralized plant operation, maintenance and other support services for Eastern State Hospital and Lakeland Village at Medical Lake. This proposal will eliminate seven positions (including one part-time position) for a total 6.4 FTE reduction.

Next Steps

Section 211(5) requires a follow-up report by December 1, 2002 on how the administrative reductions were implemented, with updated estimates of savings that will be achieved by the end of Fiscal Year 2003. This follow-up report will also provide more details on how reductions distributed to the other DSHS administrations will have been implemented in their respective programs.