



# MEMORANDUM

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TO: Members, House Appropriations Committee  
FROM: Scott Frank, Legislative Post Auditor  
DATE: March 13, 2015  
SUBJECT: Preliminary Estimate of the Cost of a State Government Efficiency Study

The purpose of this memo is to provide the House Appropriations Committee with a preliminary estimate of the cost of procuring an efficiency study of Kansas state government. Based on the cost of a recently completed efficiency analysis by Deloitte for the State of North Carolina, it appears that such an analysis could cost approximately \$3 million. This amount would likely vary, depending on the scope of the project.

## **Summary of the Committee's Request**

In its report to the full House Appropriations Committee, the Legislative Budget Committee included the following recommendation:

*Add language that the Legislature procure professional consulting services to assist in a review and evaluation of state government, examining agency core functions, procedures, and efficiencies. This effort would provide the Legislature with direction on finding efficiencies through the potential consolidation of agencies and functions resulting in overall reductions in expenditures. This review will cover all departments, agencies, divisions, and services. The Budget Committee recommends to the Legislative Coordinating Council that this topic be assigned to the Legislative Budget Committee as an interim study topic. The scope of the efficiency study will be prepared with recommendations made by the interim committee. A report will be given to the 2016 Legislature.*

The Legislative Budget Committee further directed staff from Legislative Research and the Legislative Division of Post Audit to do a cost analysis on hiring professional consulting services and report back to the full House Appropriations Committee prior to finalizing the mega-appropriations bill. This memo summarizes our preliminary findings.

## **Summary of the North Carolina NC GEAR Project**

The best comparison we could identify was a recent efficiency analysis conducted by Deloitte for the State of North Carolina. This was part of a statutorily required efficiency project titled the

North Carolina Government Efficiency and Reform Initiative (NC GEAR). Here is a summary of the project from its April 2014 interim report:

*NC GEAR will evaluate the effectiveness of government programs and procedures; measure programs against their missions; and review the impact of federal funds on our state budget. The NC GEAR team will work with staff in the Office of State Budget and Management (OSBM) and throughout state government to find opportunities for efficiency and reform. We used a competitive bidding process to hire a team of consultants from Deloitte Consulting LLP. The consultants will provide additional expertise and insights based on their previous work with governments in Canada, Minnesota, Mecklenburg County, and other public and private sector clients.*

The final NC GEAR report was released on March 5, 2015. It included 22 specific recommendations, totaling an estimated \$615.4 million in net savings. (Note that this is the net present value of the savings over a five-year period, not annual savings.) A list of the recommendations is included as Attachment A.

Deloitte's fee for the North Carolina project was \$3 million. It has conducted similar analyses for Minnesota and Kentucky, and also for the national government of Canada. Deloitte's promotional handout for these kinds of efficiency projects is included as Attachment B.

**Summary of Recommendations From North Carolina's NC GEAR Initiative  
March 2015**

<b>Recommendation</b>	<b>Net Present Value (a) (in millions)</b>
Leverage buying power for school districts	\$ 170.5
Increase efficiency of human resource management	135.6
Continue to improve unemployment insurance integrity	99.5
Budget funds clearly and transparently	63.1
Manage cultural and natural attractions together	41.2
Enhance debt collection efforts	38.0
Maximize efficiency of state property	33.1
Evaluate economic development incentives	20.6
Charge appropriately for motor fleet	18.4
Ensure strategic value of boards and commissions	2.8
Make state government easier for citizens and businesses to navigate	0.0 (b)
Require all agencies to pay rent and utilities	0.0
Reduce barriers to work from occupational licensing	0.0
Prioritize child support payments to the most vulnerable	0.0
Assess value of certain assets	0.0
Elevate coordination of military and veterans' programs	0.0
Privatize state motor pool	-0.1
Budget funds strategically	-0.2
Ensure grants are strategic	-0.4
Register deaths faster and more accurately	-0.7
Enforce standards for breeders	-1.4
Implement and monitor reforms	-4.6
<b>Total Savings (All Recommendations)</b>	<b>\$ 615.4</b>
(a) Net present value refers to the savings over a five-year period. These are not annual savings. (b) Recommendations with no savings (or even negative savings) appear to have been included as ways to make government services more effective.	

# Government Efficiency and Innovation Services (GEIS) – Overview

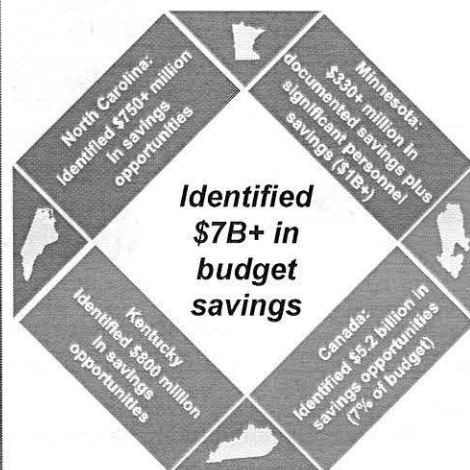
**Deloitte.**

## What is GEIS?

**A disciplined approach to identifying realistic cost savings & program improvement**

*With ever increasing pressures on state budgets and simultaneous need to improve constituent service experience and quality, GEIS brings a structured and proven approach to assess state's program delivery across budget and results achievement metrics.*

## Achieving Significant Sustainable Financial and Quality Improvement



## While improving...

Program Performance

Customer Service

Efficient use of State resources

## Enterprise-Wide Focus Areas + Agency Specific Deep-Dives

### Enterprise Focus

Asset and Inventory Management  
Budget and Finance  
Citizen Service  
Cyber Security  
Data and Analytics  
Economic Competitiveness  
Finance and Budget  
Grants Management  
Human Resources  
Information Technology  
Infrastructure- Facilities and Fleet Management

### Licensing and Permitting

Public Private Partnerships (P3)  
Procurement and Contracting Management  
Regulatory Administration  
Revenue Management  
Agency Deep Dives  
K-12 and Higher Education  
Public Safety  
Transportation  
Health and Human Services  
Natural Resources

**GEIS aims to fundamentally transform the way the State currently does business**

### Objectives

Evaluate the efficiency and effectiveness of certain areas within state government

Identify recommendations to reduce costs and improve efficiency and effectiveness of services provided

Establish a sustainable program, through the creation of a Results Management Office (RMO)

### Scope

Identify opportunities cross-enterprise functions and prioritized agencies

Prepare recommendations and final report

Establish a Results Management Office (RMO) to provide oversight and coordination

## Critical Success Factors Supporting the Journey

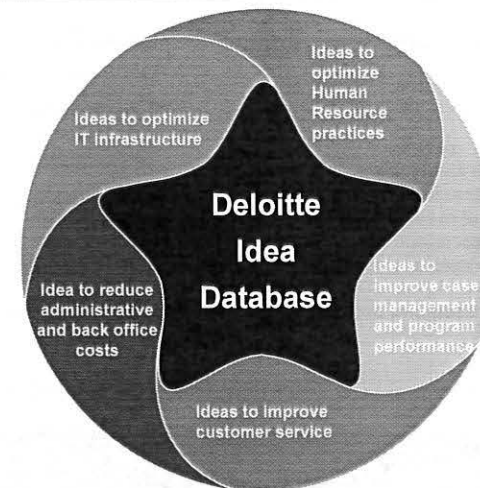
### Critical Success Factors

- Outreach and leadership alignment at the front end
- Executive level sponsorship
- Bi-partisan strategy developed to target sponsors and supporters
- Engaging with agencies from the start, and working with them throughout the process to ensure buy-in
- Development and operationalization of a Results Management Office (RMO) to provide structure and oversight of the program for long-term sustainability

### Stakeholders

- Governors Office
- Legislators
- Cabinet Heads
- Agency Heads
- Program Administrators
- Budget Office

## Database of Real World Improvement Ideas to Jumpstart the Process

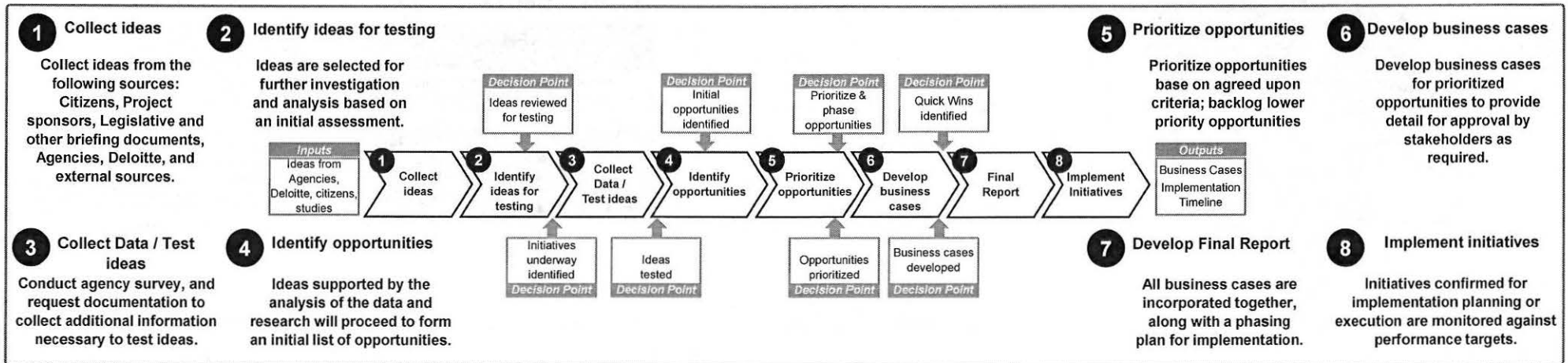


**ATTACHMENT B**

# Government Efficiency and Innovation Services (GEIS) – Approach

**Deloitte.**

The 8 step opportunity assessment approach helps collect and identify ideas and test opportunities resulting in business cases for opportunities that align with State goals.



Deloitte brings a different approach that drives different results, executable business cases that drive sustainable change reducing costs and improving access/quality, not just great ideas that sit on a shelf.

