State of Illinois
Rod R. Blagojevich, Governor

Illinois Department of Central Management Services
Paul J. Campbell, Acting Director

CENTRAL MANAGEMENT SERVICES

A Progress Report to the People of Illinois

January 2006

COST SAVINGS ACCOUNTABILITY TRANSPARENCY

ILLINOIS DEPARTMENT OF CENTRAL MANAGEMENT SERVICES …AT A GLANCE

CENTRAL MANAGEMENT SERVICES:

- **Directs the annual purchase of approximately $12 billion in goods and services for state government agencies.**
- **Administers a fleet of 12,000 vehicles.**
- **Manages approximately 60 million square feet of facilities owned or leased by the State.**
- **Manages the State's information technology and telecommunications systems.**
- **Serves as the personnel department for more than 57,000 employees and administers benefits for approximately 350,000 retirees, employees and their dependents.**
- **Conducts internal audits for state agencies.**
- **Provides legal and public information services to all state agencies.**

The Illinois Department of Central Management Services (CMS) is the central procurement and administrative services agency for the State of Illinois. CMS works with client state agencies and members of the Illinois General Assembly to deliver critical services to Illinois taxpayers.

Over the past three years, the Department of Central Management Services has transformed how the business of Illinois government is conducted. CMS consolidated select state agency functions, improved the administration of other functions, and saved taxpayers $529 million in the past two years alone. These actions are examples of Governor Rod Blagojevich's commitment to spending tax dollars wisely.

The people of CMS — from computer technicians to buyers of supplies to property managers — have worked very hard to provide better service and value to Illinois.

This report is dedicated to the taxpayers of Illinois, and to all the State of Illinois employees who work so hard on their behalf.

January 2006

Dear Citizen:

Central Management Services supports state government agencies in areas such as procurement, technology, property management and human resources. We do our work so that state agencies can focus their energies and resources on their core missions — from improving public health to protecting the environment to promoting economic development.

Governor Blagojevich took office and challenged state agencies to do more with less. He directed agencies to cut costs, improve accountability, and make decisions open and transparent to the public. The Governor asked CMS to help organize the effort.

CMS initiated a shared-services model of consolidation for the State of Illinois. We worked with state agencies to streamline processes and apply innovative best practices from the private sector. The effort has resulted in a substantial $529 million worth of savings and several national awards, including the 2005 Innovation Award from the Council of State Governments. That said, we still have a lot of work ahead of us.

Over the past six months, I have met with business leaders, entrepreneurs and public officials throughout Illinois. During these visits, I shared information about CMS — what we do, how we do it, and the resulting benefits to Illinois taxpayers. More important, I have done a lot of listening. I have learned a great deal about what people expect of us and how to meet those expectations.

As part of the Fiscal Year 2004 annual audit, the Office of the Auditor General of Illinois provided recommendations to CMS on how to improve our business practices. The Auditor General's findings have helped us build a better organization focused on cost savings, accountability, and transparency.

Every day I ask the people of CMS to carry out their work based on those three guiding principles. The principles help us ultimately create more economic value and social equity…call it the "double bottom line" of CMS. In private sector business, the one bottom line is often profit. Our mandate, however, is to focus the business of government on improving the lives of our citizens. The people of Illinois are our "shareholders."

Paul J. Campbell
Acting Director,
Central Management Services

January 2006

From the Chief Operating Officer:

The initial overhaul of CMS is nearing completion. In the process, the State of Illinois has put an end to automatic contract renewals. We streamlined the bidding process and set aside more opportunities for Illinois small businesses. We now focus on the cost of owning an asset over its lifetime, not just its initial purchase cost. As a result, we make better decisions.

For example, we consolidated three communication networks into one integrated voice and data network. The State's capacity increased four-fold, and its costs dropped significantly. Hospitals, schools and law enforcement agencies can communicate more effectively.

We centralized key procurement activities and purchases — everything from paper to computers to vehicles. We are smarter in how we buy using an interactive database called "knowledge management," outlined in the first section of this report. It enables procurement staff throughout state government to learn from others who have bought similar goods and services.

In short, Illinois is leveraging its buying power to gain the best possible value for Illinois taxpayers.

The shared-services model of consolidation is simple and it's working. Now, state government is like a family of four sharing one car and one cell phone plan instead of four cars and four cell phone plans.

But there's room for even more improvement. Looking ahead, CMS is striving to make sure savings will be achieved year after year. Our mandate is clear: combine the best practices of government with private sector discipline to achieve more with less. Illinois taxpayers deserve it.

Brian Chapman
Chief Operating Officer,
Central Management Services

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SECTION I

SUCCESS STORIES: COST SAVINGS, ACCOUNTABILITY, AND TRANSPARENCY

On the following pages, read about successes in improving the business of government in the State of Illinois. The results reflect the past three years of concerted efforts by state agencies with support from the Department of Central Management Services. Governor Rod Blagojevich charged CMS to find cost savings, improve accountability and build transparency throughout government.

Fleet Management: Doing More with Less

The business of the State requires the use of thousands of cars and trucks deployed throughout Illinois. These vehicles are used for important safety, security and infrastructure needs involving law enforcement and transportation. The management of this diverse fleet requires intense coordination to get the most value from the public's investment.

Early in 2003, Governor Blagojevich issued an executive order to reduce the size of the State government's fleet and the costs of running it. Quality and service levels had to be maintained.

Working with Central Management Services, State of Illinois agencies have:

- Reduced the total size of the State's passenger vehicle fleet by about 1,600 vehicles, from more than 13,600 to approximately 12,000.
- Lowered maintenance costs by $1.4 million over two years.
- Reduced fuel consumption by more than 2 million gallons and saved $3.9 million over two years.

In addition, the sale of excess vehicles online and at public auction netted $1.1 million in new money for the State.

Further, CMS revamped the way cars and trucks are purchased on behalf of state agencies. Now, requests are evaluated in a thorough, consistent, and well-understood process. Purchases are made based on priority and finding the most cost-effective vehicle option.

Work continues on behalf of client agencies and Illinois taxpayers. CMS is investigating further cost savings through more efficient maintenance and purchasing from the Federal Government.

Vehicle Emissions Testing: Cleaner Air at a Better Price

The United States Environmental Protection Agency requires the State of Illinois to test vehicles registered to residents and business owners. The State ensures cars and trucks on the streets and roads meet air quality standards.

CMS and the Illinois Environmental Protection Agency (IEPA) identified an opportunity to renegotiate its contract with the company that provides the State with emissions testing services. CMS and IEPA identified vendor savings leading to the renegotiation of the contract:

- Improved technology in newer vehicle models reduced the number of cars and trucks needing emissions testing.
- New testing procedures became available that reduced testing time and related costs.
- Benchmarking of similar programs in other states revealed that Illinois' vendor had profit margins exceeding comparable providers.

As a result of the renegotiation, the State of Illinois was able to save $7 million in Fiscal Year 2004, and an additional $3 million in Fiscal Year 2005.

The work continues. CMS coordinates with its client agencies to advocate the use of new and cleaner-burning corn and soybean based fuels. Over time, the State's fleet of vehicles will include more flexible fuel vehicles that can use different kinds of fuels, and will phase out older, less environmentally friendly, models.

The agreement negotiated by IEPA and CMS with the testing program contractor has resulted in continued clean air and public health benefits at lower costs and without sacrificing overall convenience to vehicle owners.

Doug Scott, *Director*
Illinois Environmental Protection Agency

Barb Bonansinga, Acting Manager of the Division of Vehicles, CMS, holds the 2005 Honda/NCSFA Environmental Leadership Award, which recognizes the State of Illinois' use of cleaner-burning, alternative fuels including biodiesel (made from soybeans) and e85 (consisting of 85 percent corn-based ethanol).

Medical Claims: Private Insurers Pay Their Share

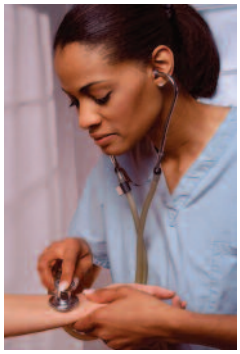
Through careful analysis, the State discovered some private insurer portions of medical costs were not being reimbursed. They should have been. Why? Because some of the State's Medicaid recipients were also covered by private insurance policies, but data wasn't readily available to analyze these medical claims in the payment process.

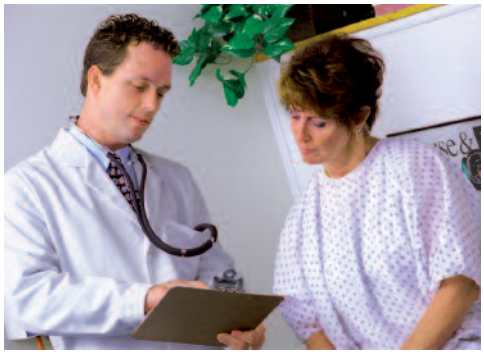
CMS worked with the Department of Healthcare and Family Services (DHFS) and the Department of Financial and Professional Regulation (DFPR) to introduce a process of collecting enrollment and insurance information. The State was able to match amounts billed and identify areas for improved coordination with private insurers.

The program has recovered a total of $21 million from private insurers over two years, benefiting both the State and the Federal Government through increased medical reimbursements and avoiding costs that are now covered by private insurers.

"At Healthcare and Family Services, our goal is to provide access to quality healthcare at a reasonable cost while protecting taxpayers from any possible waste or abuse of the system. Working with CMS, we have been able to examine ways to ensure that families have access to quality care through an efficient, cost-effective delivery system. At the same time we remain a leader in the nation for broadening Medicaid coverage and protecting benefits at a time when other states have been making cuts to healthcare coverage for working families."

Barry Maram, *Director*
Illinois Department of Healthcare and Family Services





MEDICAL CLAIMS: RECOVERING REIMBURSABLE EXPENSES

CMS worked with the Department of Human Services (DHS) and Department on Aging (DoA) to tackle unpaid or reimbursable medical claims that had been previously rejected because of errors in claims processing. The team discovered that the Federal Government had not reimbursed the State for substantial payments to service providers because of these errors.

Working with DoA, CMS designed and developed a process for analyzing and resubmitting rejected claims to recover monies from as far back as allowed under federal rules. DoA and CMS reviewed these processes and identified improvements. From April through November 2004, DoA resubmitted rejected claims and of these claims more than $2 million were accepted — of which approximately fifty percent of this amount will come back to the State of Illinois.

Finally, CMS provided assistance to many of the State's retirees who were unaware that they qualified for Medicare coverage. Ultimately, Illinois received reimbursements from federal sources for past claims totaling more than $600,000 over the past two Fiscal Years. This initiative also saved the State money by instructing the retirees to submit their claims directly to the Medicare program, helping the State avoid additional costs of $675,000 in Fiscal Year 2004 and $5.8 million in Fiscal Year 2005.

"As part of the Governor's and DHS's focus on fiscal responsibility, DHS embraced the opportunity to maximize the Medicaid match from the Federal Government. With the help of CMS consultants, we improved our analysis, computer edits, and policies to recoup significant Medicaid reimbursements and improve ongoing reimbursements."

Carol L. Adams, *Ph.D., Secretary*
Illinois Department of Human Services

The Department on Aging and CMS looked at numerous Medicaid-eligible claims that the State had submitted to the Federal Government for reimbursement. After introducing new electronic processes and procedures, we are ensuring that more federal receipts are acquired relating to the Community Care Program, which assists over 41,000 seniors monthly across Illinois.

Charles Johnson, *Director*
Illinois Department on Aging

Buying More for Less

CMS and its client agencies worked together to implement a purchasing process that has saved Illinois taxpayers almost $2 million over two years by renegotiating various commodity contracts including trash can liners, paper, janitorial supplies and personal computers.

Each year, the State has to buy tens of thousands of plastic liners for wastebaskets. By benchmarking industry providers, CMS learned of less expensive alternatives. The CMS team also learned from experts that a higher quality bag could be produced at a lower cost. CMS worked with Shelby County Community Service on revising product specifications. As a result, the State saved almost $350,000 in Fiscal Year 2004 and almost $390,000 in Fiscal Year 2005.

This is just one example of the many ways Illinois procurement is fulfilling Governor Blagojevich's mandate to cut costs and improve accountability.

First, CMS revolutionized the way the State buys goods and services. CMS consolidated personnel and related functions into the Bureau of Strategic Sourcing and Procurement. This new structure combined best-in-class purchasing practices with specialized knowledge from client agencies.

CMS has received recognition for its innovative procurement process, including back-to-back Cronin Awards from the National Association of State Procurement Officials. This particular award is given to recognize outstanding initiatives that can be adopted as best practices by other states.

Further, CMS has streamlined the vendor application and bid process, cutting much red tape along the way. Small businesses and diverse firms have more opportunities. The goal is to expand the number of firms competing for state business and encourage local economic development while continuing to help agencies receive the best value.

KNOWLEDGE MANAGEMENT: INFORMATION + SHARING = SAVINGS

The State of Illinois is leveraging its buying power.

Knowledge Management (KM) is shorthand for a simple, interactive database used to manage how information is gathered, stored, and shared. More than 50 state agencies, boards and commissions have access to the information that enables them to make smarter decisions.

In the past, it was common for one agency to spend more than another on the same goods or services. They did not have access to each other's contractual terms. Further, there was no system to have a pool of information that was easily available and accessible to employees on such topics as contractor performance, negotiations, and competitive market pricing.

KM provides one-stop shopping, allowing buyers to research price benchmarks and related purchasing data to improve their purchase decisions. The E-Gov Institute presented CMS with its Knowledge Management Award in 2005.

"Knowledge Management has enabled the IEPA to save time and effort in managing its budget by reaching out to other states and obtaining information about their technology and other methods they utilized in our business of protecting the environment. In one instance, KM research helped us to conclude that a particular IT system was too costly and thus we altered our procurement approach."

John Donato, *State Purchasing Officer*
Illinois Environmental Protection Agency

Through obtaining benchmarking data and industry specifications, Knowledge Management helps HFS develop more effective bid/proposal documents. Assisting in the crafting of solicitations supports our efforts to deliver better-valued and more efficient services to our clients for healthcare, energy assistance, child support and other programs that empower families to improve their lives.

Thomas Meirink
State Purchasing Officer
Healthcare and Family Services

Knowledge Management has not only helped the Department of Agriculture conduct research regarding the best value for the dollar and the appropriate items for our needs, but KM has also assisted the Department of Agriculture in determining the best course of action when looking at a procurement: how much money to spend on what and when.

Robert L. Rice
State Purchasing Officer
Illinois Department of Agriculture

One of the great success stories has been the improvement of library services made possible by the availability of high speed Internet access. Without ICN and the connectivity that it provides, Shawnee Library System would be unable to provide the level of support that our libraries need in order to serve their patrons.

Joe Harris, *Executive Director*
Shawnee Library System

Missing Link Found: Illinois Century Network

When this administration took office, the State had three telecommunications systems. The Illinois Century Network (ICN) provided services to local schools and hospitals. The other two carried the voice and data traffic of state government over expensive networks owned by vendors. It was a system in great need of an overhaul.

In Fiscal Year 2005, CMS' Bureau of Communication and Computer Services combined the State's disparate governmental and educational telecommunications systems into one low-cost, high-speed statewide network through the ICN. This unified network now links 7,700 schools, libraries, museums, universities, state agencies, local governments, first responders and healthcare providers with high-speed Internet and data-transmission service.

Through the creation of a 24/7, state-of-the-art Network Operations Center, CMS can now diagnose and correct network issues and outages before they deprive students of computer labs or hospitals of critical data. The State can do it at much lower cost for users, because we are able to carry so much more traffic on the ICN and lower the unit cost of data transmission.

Illinois students connect to the Internet through ICN. School districts throughout the State use the ICN to provide high-speed Internet for computer labs, distance learning and other innovative teaching techniques. CMS is extending the reach of the ICN to rural communities that have never had adequate infrastructure to supply high-speed Internet access. Through new satellite technology—called VSAT—the State can link rural schools to the ICN.

ICN can also make life safer and more productive for law enforcement officers. As part of the consolidation of the State and educational networks in FY05, CMS upgraded the bandwidth connection to more than 200 local police departments. These law enforcement offices only had dial-up service—and the delays and problems that come with it. They now have links that are up to 20 times faster. This means they can get the information they need faster, cheaper and more reliably through the next-generation public safety application, the Illinois Citizen and Law Enforcement Analysis and Reporting system (I-CLEAR).

I-CLEAR provides officers with access to incident reports, case data, criminal background, digital photos, and critical safety information from many sources. This gives law enforcement officers the tools they need to make informed decisions, fight crime and keep Illinois a safe place to live.

The Illinois healthcare community uses the enhanced ICN to provide a secure environment for instant communication, exchanges of personal health information and other e-health and e-commerce applications that help providers throughout Illinois enhance the delivery of services. ICN also enables hospitals to deliver high quality healthcare services to underserved areas and homebound patients. ICN distributes alerts and communications for disease/disaster surveillance and emergency response among local public health departments, hospitals, emergency medical personnel and other first responders.

ICN helps small hospitals save on meeting costs and travel times, improves communication among staff at participating hospitals and connects patients to specialists through advanced technology. ICN is also a tool that healthcare workers in rural areas can use to continue and advance their education and professional development.

"Any organization big enough to have its own telecommunications manager should run its own network. Illinois' Central Management Services will have better accountability and control of network expenses and provide better service to network users."

David Isenberg
Berkman Center for Internet and Society
Harvard University

Videoconferences allow our local physicians to stay in touch and consult with their colleagues at the medical school without the extensive travel, which in reality would not happen. With videoconferencing, they can participate fully, asking questions and seeing the slides. It means our local physicians have real-time access to current medical information for immediate use here in Havana and other rural communities.

Harry Wolin
Chief Executive Officer
Mason District Hospital
Havana

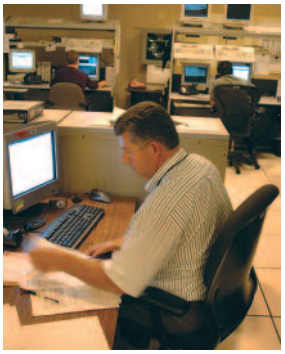
Hardware Savings

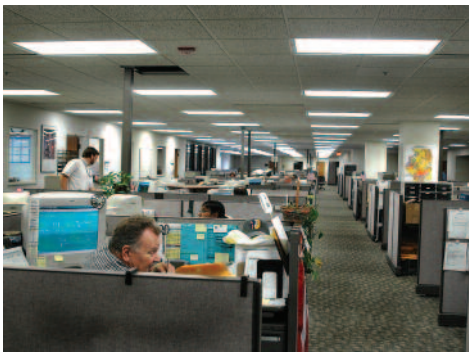
To maintain the State's computer hardware, CMS had a long-standing master contract that state agencies used to purchase a variety of services including hardware maintenance and technical consulting services.

CMS renegotiated this contract to reduce the pricing of these services using price benchmarking, competitive analysis, and statewide volume purchasing. This renegotiated contract allowed all state agencies to take advantage of the reduced rates for maintenance services.

Benefits include:

- Reduced rates for services resulting in $6 million of savings over two years.
- A central point of coordination to help client agencies meet their needs more efficiently.
- A single vendor relationship to manage.
- The flexibility to adapt maintenance services to changing business needs.





TECHNOLOGY: STANDARDS SAVE $$

CMS instituted a comprehensive IT governance process, reduced the number of outside contractors, renegotiated contractors' rates, and reorganized the State's information technology workforce. Today, the State's newly created Architecture Review Board examines all new technology requests to ensure that agencies' needs are met in the most cost-effective way possible.

CMS eliminated thousands of unused phone lines and renegotiated state cell-phone rates from as high as 14 cents per minute to 6.8 cents per minute.

Overall, projects initiated as part of the transformation of information technology and communications saved more than $200 million over two years by reducing costs and budget levels, improving rates with IT vendors, and decreasing the use of outside contractors.

BCCS IT governance processes have brought a new way of doing business at the Illinois Department of Transportation, eliminating unnecessary spending and making IDOT more efficient. We are now able to put a measurable value on information technology for the first time and the increased efficiency will allow us to provide real-time information to the public, reaching more people sooner with the travel conditions they need.

Tim Martin, *Secretary*
Illinois Department of Transportation

HELPING SMALL BUSINESS

Illinois depends on small businesses to create jobs and drive the economy. In 2005 the majority of new jobs were created by small businesses. CMS has enhanced the Small Business Set-Aside Program (SBSP) and the Business Enterprise Program (BEP) to help small businesses grow.

Because of the Small Business Set-Aside Program I was able to expand my business well beyond my expectations. If you own a small business in Illinois you should take advantage of this great program.

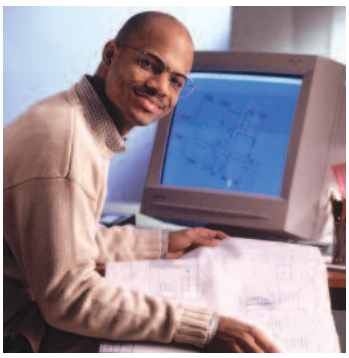
Alisa Winston, *President*
Seville Staffing

The Small Business Set-Aside program provides small Illinois firms exclusive access to bid for certain contracts. Governor Blagojevich passed legislation that increased the amount of state contracts available to small businesses. The number of purchase categories set-aside for small businesses is up 40%. These changes have dramatically improved the program, generating additional millions for Illinois small businesses: in fact, the total value of contracts won by small firms more than doubled from 2004 to 2005.

The Business Enterprise Program promotes the growth of small businesses owned by minorities, women, and persons with disabilities. No contracts are specifically set aside for BEP, but Illinois State Agencies are encouraged to purchase 19% of their goods and services from BEP certified businesses. Certification participation in the programs has grown 54% in calendar year 2005.

"The Women's Business Development Center and the Women Business Enterprises are excited about new business opportunities in the 19 state agencies and to participate in the new CMS initiatives. We now see that there is better access to state contracting."

Hedy Ratner, *Co-President*
Women's Business Development Center



INSURANCE BENEFITS: CONTINUING QUALITY AT BETTER RATES

At Governor Rod Blagojevich's direction to cut costs and improve accountability, CMS collaboratively negotiated with organized labor, insurance providers and hospitals to secure high quality health insurance coverage for state employees at the most cost-effective rates possible.

In Fiscal Year 2004, representatives from the Governor's Office and CMS met with union leaders and worked out the redesign of benefit plans including changes to member contributions, co-pays, deductibles, co-insurance and out-of-pocket maximums. By adjusting benefit levels for employees, the team was able to slow the increase of the State's healthcare spending by $34.3 million in Fiscal Year 2005 compared to anticipated market increases in healthcare costs. This was achieved while maintaining the level and quality of benefits.

CMS also worked with select healthcare plans to reduce the insurance premium rates and administrative service charges incurred by the State. CMS helped actuaries identify competitive rates for medical and prescription insurance premiums. The result enabled the State to save $1.7 million on premium rates.

In addition, 36 preferred provider hospitals agreed to roll back per-diem rates for in-patient care. Further, another 85 hospitals agreed not to increase per-diem rates for hospitalization. These actions led to savings of $336,000 in Fiscal Year 2004 and $130,000 in Fiscal Year 2005.

To further cut costs, the Governor recently ordered the consolidation of healthcare purchasing into the Department of Healthcare and Family Services. This allows the State to achieve even greater savings from fully leveraging the State's multi-billion dollar healthcare spending. CMS will continue to administer the benefits of about 350,000 retirees, employees and their dependents.

CMS took the Governor's direction to improve accountability and extended that philosophy to the State's insurance benefit program through innovative market-driven plan design. By educating employees and retirees on the value of their insurance benefits, it provides them the information necessary to make decisions based on their individual needs. This is common sense and good judgement.

John Filan, *Director*
Governor's Office of
Management and Budget

Angels in the Storm: Illinois Volunteers in the aftermath of Hurricane Katrina

A historic city under water. A nation on the edge. Families without hope.

When Governor Rod Blagojevich asked state employees to volunteer for duty in Louisiana after Hurricane Katrina, more than 500 people from throughout Illinois offered to help. In short order, more than 100 employees representing 17 state agencies packed up, said goodbye to their families and hit the 750 mile road to Bogalusa, Louisiana.

I wanted to do something to help. What I have learned most is how awesome and resilient people are. They would wait in line for hours, and yet they were so kind and patient to wait for us to help them.

Karon Hamrick
Chatham resident
Personnel Division, Illinois Department of Transportation

Supporting the work of the volunteers was an Illinois-grown emergency communications system – one of the most advanced in the country.

In Louisiana, CMS technicians set up emergency mobile command centers with advanced telecommunications equipment enabling high-speed data transmission through satellite uplinks.

Volunteers worked three emergency centers to process evacuees for the social services they needed. By the time the last displaced person passed through the doors 10 days later, Illinois volunteers had processed more than 25,000 people for emergency food stamps and other benefits.

If you guys in Illinois ever find yourself in the position we're in now, I'm coming — and I'm bringing everyone I can find.

Mike Provenzano
Detective
Bogalusa Police Department

Floyd Schleyhahn, a CMS employee and resident of Pawnee, sent the following email message to co-workers:

"After being a part of the Illinois Technical Team based in Bogalusa, Louisiana, I cannot put into words how proud I am to be a part of CMS. This team of individuals, from the mechanics to the captains—EVERYONE—has pulled off something in a matter of hours that would normally take two to three times this many people weeks to months to achieve."

"Every face standing in that line has a story—every child a basic need. The masses of people we see each day are every day working class families who lost access to their checking and savings accounts, and with little to no cash on hand, have no means to purchase groceries. The team you deployed has impacted a community by making it once again possible for them to go to the grocery store."

SECTION II

VALIDATION OF SAVINGS

For decades, businesses and governments have operated within "silos" of work units acting independently with limited sharing and coordination. In today's competitive marketplace, many organizations are discovering that the silo model misses opportunities to identify and implement efficiencies.

Private industry—and, increasingly the public sector—is recognizing the value of sharing common functions that serve broader needs. This concept is the essence of the shared-services model. A shared-services model takes functions, services and systems duplicated in various units and consolidates them into a single, centralized resource.

A typical shared-services approach also takes advantage of improved communications and information technology, which further ensures a consistent delivery of quality services.

As a result of Governor Blagojevich's mandate, and with assistance from CMS, public agencies throughout state government are making strides in moving to the shared-services model.

Many functions scattered throughout State of Illinois agencies have been consolidated using the shared-services model.

Under the leadership of Governor Blagojevich, the State of Illinois' approach to shared-services is achieving the following benefits:

- Cost savings
- Greater accountability
- Increased transparency
- Consistent and timely services
- Better use of employee skills

The following section of the Progress Report to the People of Illinois details specific savings validations by area. The team of professionals from Deloitte Consulting LLP, working with CMS and its client agencies, analyzed the specific savings projects undertaken.

The following functions were part of the analysis and savings validation:

- Fleet Management
- Facilities/Property Management
- Internal Audit
- Legal Services
- Public Information and Media Services
- Technology/Telecommunications
- Procurement

Each functional area examined was documented for the following:

- Project overview—function and need
- How savings were achieved
- Timeframes
- Financial benefits
- Incremental costs
- Qualitative benefits
- Impacts on stakeholders

Some savings come from reducing operating expenses, while other savings come from enhanced revenues. The State has achieved substantial savings and provided opportunities to increase Illinois' share of federal funding and new revenues. In some instances, spending has been reduced from the previous budgets. In other instances, savings have resulted in funding new or different priorities. The savings achieved have had a positive effect on revenues, reduced budgeted spending, supported investments, and provided additional services to the Illinois taxpayers.

The Council of State Government (CSG) recently recognized Illinois' shared-services program as a national model. Here, Regional Director Michael H. McCabe, CSG, presents Paul Campbell, Acting Director of the Illinois Department of Central Management Services, with the 2005 Innovation Award. The award represents strides made in Illinois state government to cut costs, improve accountability and provide transparency while providing a high level of service.

As the cost of doing the business of government is reduced, taxpayers and businesses in Illinois will see the ultimate effect through more efficient and effective government services.

To date, the Administration's initiatives have achieved a savings of $529 million.

CMS Shared-Services

Shared-services is a common private-sector practice in which administrative functions common to all business units are managed centrally for consistency and efficiency.

The mandate to transform how state government conducts the business of state government has affected every agency under the authority of Governor Rod Blagojevich. In a dramatic shift from the past, Illinois government is evolving into an organization that will run more smoothly through greater consistency and coordination, and as a result, provide better service at a lower price to taxpayers.

The Administration's initiatives have reduced costs, standardized processes and procedures, and built the foundation for improved productivity. Upon completion, the transformation has the potential for a stronger and more sustainable infrastructure, better service at a lower cost through the shared-services model, and a state government more capable of modifying and improving services as business needs change.

In May 2005, CMS began a review of actual savings – the Savings Validation effort – to determine actual savings captured through the changes made by the executive order of Governor Blagojevich. The effort included comparing actual results with original estimates.

At that time, the State of Illinois retained Deloitte Consulting to assist in defining an approach for quantifying and reporting actual cost savings. The Deloitte Consulting team, along with CMS and with support from stakeholder agencies, systematically applied a consistent methodology to assess savings, and if validated, at what magnitude.

An important input into the Savings Validation effort were previous findings and recommendations from the Office of Auditor General of the State of Illinois. These findings and recommendations were essential in shaping the Savings Validation project to provide meaningful and accurate conclusions.

Key components in the savings validation work were:

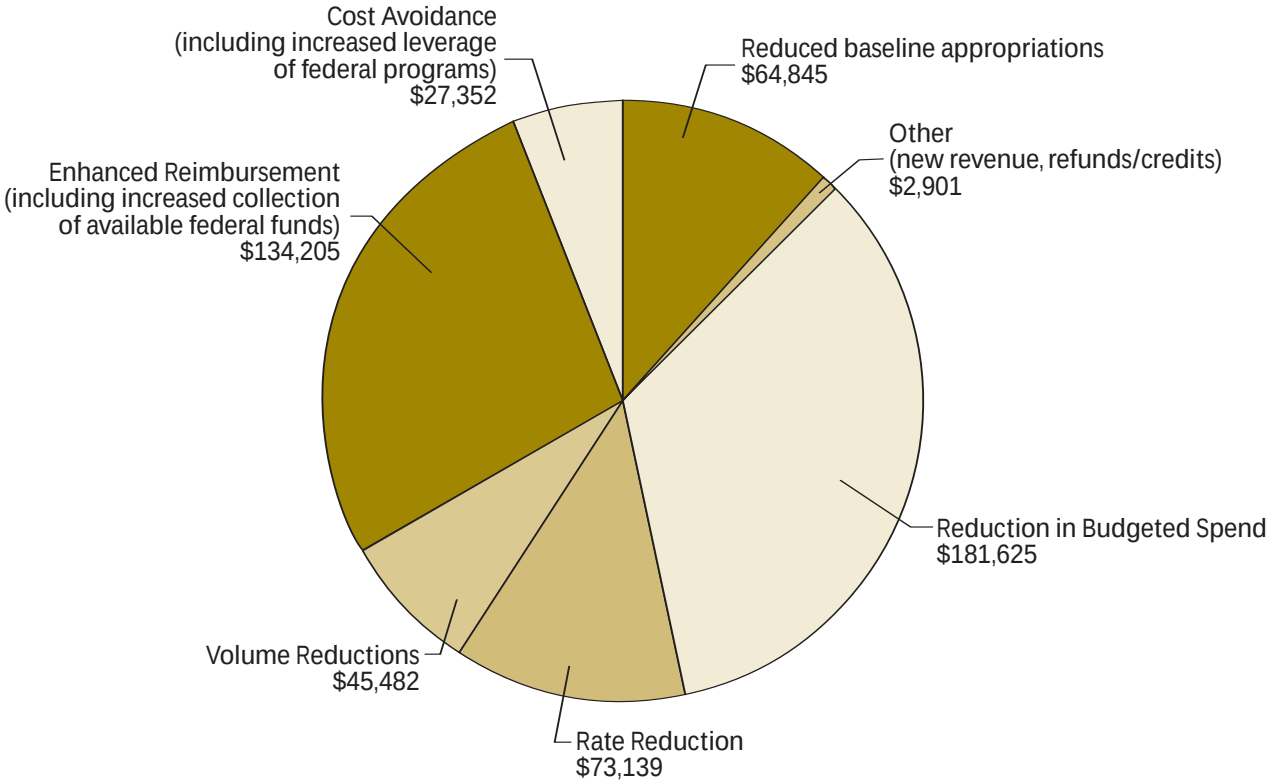
- Use of actual financial results for Fiscal Years 2004 and 2005.
- Application of a consistent approach for establishing baseline spend amounts.
- Calculation techniques that applied common managerial accounting and financial analysis techniques.
- Clear definition and presentation of benefit categories.
- Evaluation of similar projects to identify and exclude any duplicate savings amounts previously quantified.

Applying the enhanced savings validation approach enabled the CMS team to quantify actual benefits that represent significant savings to the citizens of Illinois of more than $529 million over two fiscal years.

Summary of Savings

Upon completing the Savings Validation project, $529 million was quantified as savings for the combined Fiscal Years of 2004 and 2005. As noted in the following sections describing the savings validation methodology, these savings were categorized into a number of areas that help describe the type of savings achieved. The diagram below highlights the composition of the savings categories for FY04 and FY05.

Savings by Category (000s)



Notes:

- The amounts presented are based on financial analysis performed by the validation team.
- The financial analysis applied the savings validation approach outlined separately in this report.
- The financial analysis relied on information collected from state resources and underlying documents along with assumptions that were necessary to compare Fiscal Years.

The key components of the savings and sample projects included:

Savings Categories	Example projects	Total ($000)
Reduced Baseline Appropriation	EIRF billings for IT amounts	$64,845
Reduction in Budgeted Spend	Reduction in personnel costs	$181,625
Rate Reductions	Lower per-unit rates for commodities, IT purchases and healthcare premiums	$73,139
Volume Reductions	Vehicle cuts and associated maintenance costs, reduced hours of outside contractors	$45,482
Refunds/Credits	Billing credits from IT vendors	$1,798
New Revenues	Increased vehicle auctions	$1,103
Enhanced Reimbursement	Improved medical reimbursements from third-party healthcare providers	$5,014
Enhanced Reimbursement benefiting the Federal Government	Improved medical reimbursements from third-party providers to federal programs	$5,283
Enhanced Reimbursement through increased collection of available federal funds	Improved medical reimbursements from federally funded programs	$123,908
Cost Avoidance	Demand management activities including IT governance	$15,651
Cost Avoidance benefiting the Federal Government	Elimination of anticipated payments to third-party healthcare providers	$5,214
Cost Avoidance by leveraging federal programs	Transition of retirees to federally funded programs	$6,487
	Total	**$529,549**

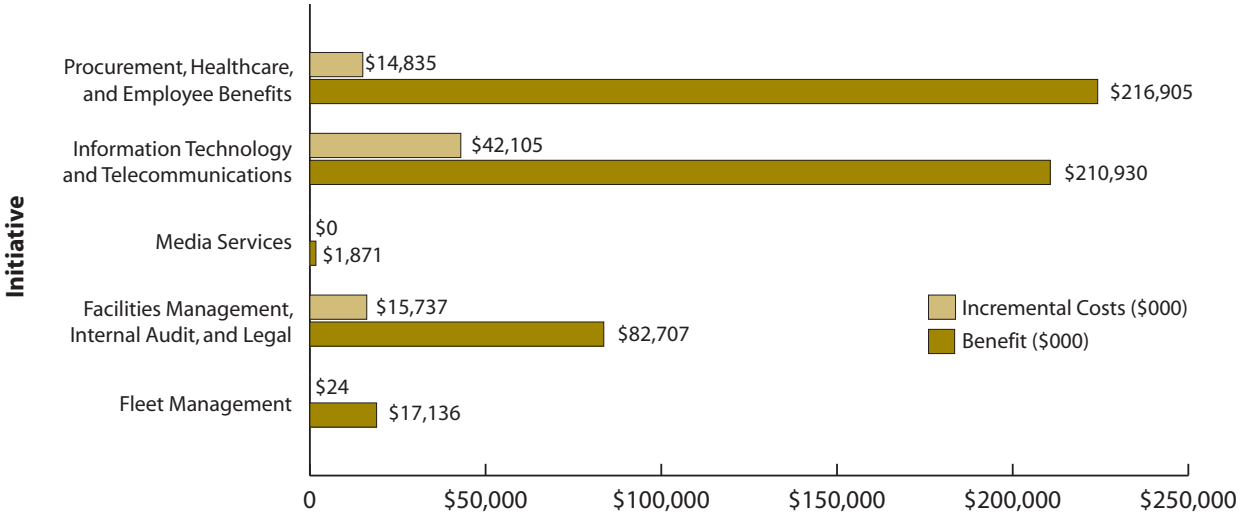
Notes:

- The savings presented in the above information are based on financial analysis performed by the validation team.
- The financial analysis applied the savings validation approach outlined separately in this report.
- The financial analysis relied on information collected from state resources and underlying documents along with assumptions that were necessary to compare Fiscal Year amounts.

Summary by Initiative and Related Incremental Costs

To achieve the savings described above, the State incurred additional costs. Through the process of validating the savings, the team attempted to identify and quantify any significant incremental costs incurred related to the various initiatives. These incremental costs may have included vendor payments, new equipment or software or losses in federal funds due to changes in program funding caused by the initiative. The following diagram presents the savings by initiative and the incremental costs identified by initiative.

Savings and Incremental Costs

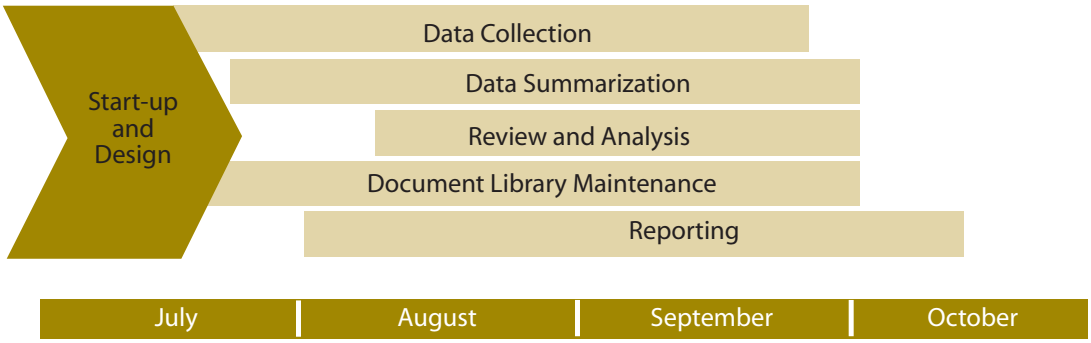


Notes:

- The amounts presented in the above information were based on financial analysis performed by the validation team.
- The financial analysis applied the savings validation approach outlined separately in this report.
- The financial analysis relied on information collected from state resources and underlying documents along with assumptions that were necessary to compare Fiscal Years.
- The amounts presented in the above information do not include approximately $273,000 in initiative-wide costs.

SAVINGS VALIDATION PROJECT APPROACH AND METHODOLOGY

The below diagram illustrates the project's main tasks and related timing:



Start-up and Design—Established the approach and standards for the savings validation effort. This included planning, mobilizing resources, designing validation guidelines and templates, establishing project management procedures, and monitoring status and completion.

Data Collection—Developed sound and reasonable models for calculating financial savings realized. Collected supporting data and evidence related to the financial models, figures, and assumptions used in developing the savings amount. Developed and communicated necessary assumptions for the analysis.

Data Summarization—Designed, built, and populated a data repository to support savings reporting requirements.

Document Library Maintenance—Submitted, indexed, and retained supporting documentation for further inquiries as project validations were completed.

Review and Analysis—Analyzed and resolved any issues that may have arisen surrounding financial models or evidence. Finalized and approved saving calculations.

Reporting—Updated management on progress and the results of the validation process at both interim and final reporting dates.

Savings Validation Methodology

The team developed a savings validation methodology using common management, accounting, and performance measurement practices. The following table highlights the key elements of the savings validation methodology:

Savings Validation Approach Elements	
Periods of Analysis	• A baseline for the analysis was developed using historical information before the initiatives were implemented. In many cases, this baseline was FY03. • FY 04 was analyzed and reported as actual savings. • FY 05 was analyzed and reported as estimates due to the current status of year end close out.
Savings Categories	The following saving categories were used to report savings: • **Reduced Baseline Appropriation**—A reduction in available resources based on General Assembly actions or GOMB targeted cuts in certain areas. • **Reduction from Budgeted Spend**—A reduction in the projected/budgeted resources (e.g., staff time, materials, and equipment) used for an activity or business process, as a result of a savings project. • **Rate Reductions**—Obtaining lower rates or prices for goods or services purchased by the State. • **Volume Reductions**—Reducing the amount of a good or service used. Savings captured in this category included projects that intentionally sought volume reductions through direct action (e.g., demand management). • **Refunds/Credits**—Payments made to the State by vendors as a result of a savings project. • **New Revenue**—New streams of revenue instituted by the State. • **Increased Fees**—An increase in the charge per unit for a government service or function. • **Enhanced Reimbursement**—Improvements in the accuracy or completeness of a business process that generates a higher rate of recovery of funds from external organizations. • **Cost Avoidance**—A benefit resulting from the prevention of a likely, but non-budgeted expenditure in the current or a future period. Savings were calculated by finding the difference between an actual expense or revenue amount and its 'baseline'. The 'baseline' for a project's savings category was: • The same expense/revenue amount from a previous financial period, or • The amount that would reasonably have been expected to occur in the current period if the savings project had not occurred.
Federal Funds and Benefits	Where impacts to federal funds were known, caused by the Efficiency Initiative, and quantifiable, the validation team identified these impacts (both inflows and outflows of funds). Benefits impacting federal funds primarily related to enhanced reimbursements and cost avoidance—these benefits either increased state benefits (resulting in an offsetting cost to the Federal Government) or resulted in federal benefits that came from improvements implemented by the State.
Incremental Costs	Where possible, incremental costs incurred for the project or initiative were identified and quantified to reflect the offsetting investment required to implement the project or initiative. In many cases, the only incremental investment was external assistance which typically was quantified and presented at the initiative level.
Evidence and Documentation	Whenever possible, savings calculations were supported by information available from official and verifiable sources. For example, actual financial records from the following types of sources were used: • State Financial Reports • Comptroller Website (e.g., report expenditure by Object Code) • State Contract / Payment Records • State Payroll System

Highlights of Initiatives and Programs

Summarized below are a number of actions that resulted in the validated savings reported for each Efficiency Initiative. Additional information on each individual Efficiency Initiative can be found in the Initiative Overview section of the full report.

Over 100 projects were examined using the savings validation approach. Through the analysis, duplicate projects were identified and excluded. Projects that had not been implemented or achieved benefits were estimated to have zero savings. Finally, some projects were combined for analysis purposes. The savings validated in this report include 54 individual projects within the Efficiency Initiatives. Each of these projects is described in the full Deloitte Consulting LLP report.

Fleet Management

Initiative Highlights:

- CMS instituted enhanced review procedures to assess requests for new vehicles. CMS Vehicles developed a vehicle acquisition template used to justify obtaining vehicles by the most economical means available. In addition to comparing purchase to lease to reimbursement, CMS added used U.S. General Services Administration vehicles as an acquisition option.

- A variety of headcount management mechanisms were employed, including hiring freezes, vacancy extensions, and layoffs. The purpose of these measures was to reduce personnel services expenditures to align with budget constraints, reductions in budgeted spending authority, and increases in healthcare and other operating expenses.

- Approximately 1600 vehicles were disposed from the State fleet of 13,635 vehicles resulting in reduced fleet size (12,072 vehicles following the disposal).

- Approximately $1.1 million in one-time revenue was generated from the auction of the disposed vehicles.

- Vehicle maintenance and fuel costs were reduced. A comparison of agency Operation of Automotive Equipment ("OAE") expense indicates that a reduction in maintenance expenditures occurred in both FY04 and FY05, and annual fuel consumption dropped by approximately 1,300,000 gallons from FY03 to FY05.

- New vehicle acquisition costs were significantly cut (e.g., 124 new vehicle requests were cancelled in FY03). State expenditures for new vehicle acquisitions have been significantly reduced in FY04 and FY05 compared to FY03.

Facilities Management, Internal Audit, and Legal

Initiative Highlights:

- Consolidated Legal, Internal Audit, and Facilities Management personnel into CMS to gain efficiencies through resource management and assignment of responsibilities.
- Consolidation of headcount of the legal functions into CMS resulted in a total savings of $0.4 million, in addition to enabling improved provision of legal services to the agencies.
- Restructuring and consolidating the internal audit function resulted in total savings of approximately $10 million between FY04 and FY05
- Implemented a common audit software platform to standardize procedures and achieve efficiencies in workpaper documentation.
- Developed an approval process for agencies seeking the use of outside counselors resulted in a total savings of $5.4 million and helped to evaluate whether agencies were retaining low-cost, high-quality service providers.
- Reviewed State-owned space for capital planning purposes and introduced new facility utilization standards.
- Adhered to a hiring freeze in addition to reducing positions via ERI and attrition reductions resulting in a recurring benefit of $1.5 million for Internal Audit and $32 million in Property Management.

Media Services

Initiative Highlights:

- Centralized efforts to provide information to the public resulted in focused communication and representation for the citizens and taxpayers of Illinois.
- Introduced the use of common technology platforms wherever possible allowing agencies to gain “real time” information regarding scheduling and availability.
- Improved access to accurate information resulted in improved decision-making and communication through consistent channels.
- Enhanced ability to manage the flow of information and respond to reporter inquiries (especially regarding cross-agency initiatives) helped ensure that consistent and accurate information is given to the public regarding all agencies and initiatives.
- Savings achieved from this initiative amounted to $1.8 million in FY05. The primary contributor to these savings included budgeted spend reductions of personnel services.

Information Technology and Telecommunications

Initiative Highlights:

- EIRF billings and appropriation cuts were employed to reduce State-wide IT spending.
- Contracts for telecommunications, software, and hardware/software support were renegotiated to achieve improved pricing and enhanced service.
- Vendor billing practices were scrutinized for inaccuracies to enable recovery of billing errors. Found and recovered $1,400,000+ in vendor billing errors.
- Services and pricing provided by IT contractors were assessed. Non-essential contracts were cancelled and pricing for essential contracted services was renegotiated.
- Terminated agreements with 87 non-essential IT contractors.
- The size of the State IT workforce was reduced through a number of headcount management measures. Reduced the size of the State's IT workforce by an estimated 300+ FTEs from FY03 to FY05.
- IT governance procedures were implemented to review and align agency IT investments. Stopped $8,000,000+ in spending on non-strategic IT projects.

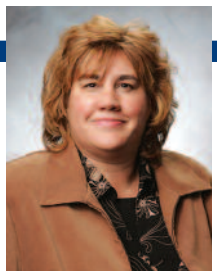
Procurement, Healthcare, and Employee Benefits

Initiative Highlights:

- Negotiated contracts with numerous vendors to improve prices paid by the State for commodities including items such as paper, garbage can liners, other janitorial supplies, and personal computers.
- Introduced new purchasing approval processes and procedures to better evaluate the cost/benefit of office purchases including items such as personal computers, copiers, and furniture.
- Approached healthcare providers and insurers to obtain reduced increases in healthcare costs.
- Implemented new processes and systems for identifying, tracking and submitting claims for reimbursement of program costs from either third-party healthcare providers or the Federal Government.
- Increased reimbursements by $124 million from the Federal Government that can be used to support programs and cover administrative support costs.
- Negotiated rate reductions with select hospitals and HMOs resulting in $2.2 million of savings.
- Achieved $34 million in savings from managing healthcare costs associated with newly implemented employee benefit plans.

SECTION III

FINANCIALS AND ORGANIZATION



January 2006

MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER

On behalf of Governor Rod Blagojevich and the taxpayers of Illinois, I am pleased to contribute to this Progress Report to the People of Illinois from the Department of Central Management Services (CMS).

Effective December 12, 2005 I accepted the position of Acting Chief Financial Officer. I am accountable for managing financial activities and reporting for operations and programs of CMS. My responsibilities include ensuring that financial statements are reported fairly and accurately; developing and monitoring CMS' budget and tracking budgeted to actual expenditures; and providing guidance and oversight on all departmental financial management personnel, activities, and operations.

This section of the Progress Report provides an overview of CMS' financial position as of June 30, 2004. For the Fiscal Year 2004, external auditors issued an unqualified opinion. This opinion means external auditors have examined our financial records and believe we've fairly represented all materials aspects of our financial position for the reported period. The following pages contain CMS' Fiscal Year 2004 Statement of Net Assets and Statement of Activities.

As you will see, as a result of the shared-services model, the fiscal responsibilities of CMS have increased, and in turn, the Department has increased its employment and made adjustments in other resources. We have also provided several tables that illustrate these changes, along with historical data for comparison.

Finally, we have provided a concise overview of CMS' structure in an effort to provide additional accountability and transparency, and we offer practical contact information for each function.

During Fiscal Year 2004 and through Fiscal Year 2005, CMS' Office of Finance and Management assumed additional management and fiscal challenges to support the statewide functional consolidations of Internal Audit, selected Legal Services, Facilities Management, Information Technology Infrastructure, Workers' Compensation, and Media Relations. I am pleased with the staff in the Office of Finance and Management who met these additional responsibilities while maintaining exceptional professional standards in their conduct and work product.

The Office of Finance and Management continues to provide financial management services for all of CMS and serves a customer base of 113 state agencies, almost 1,100 local and federal government entities and more than 150 non-governmental customers.

In keeping with Governor Blagojevich's mandate to cut costs, improve accountability and provide transparency, the Office of Finance and Management supports client agencies so that they can focus their energies and resources on their respective core missions.

Fundamentally, this improves the services state government provides to the people of Illinois.

Marcia Armstrong
Acting Chief Financial Officer

OVERVIEW OF FINANCIAL STATEMENTS

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

June 30, 2004

The Department of Central Management Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptrollers Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of ESCO COP Debt Service Fund and the DPA COP Debt Service Fund.

The Department provides a variety of centralized services for the operation of Illinois State Government. The Department provides personnel services for state agencies; administers the State Employee Benefits Program; purchases goods and services for state agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about state government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department also promotes the economic development of minority and female businesses and rehabilitation facilities for persons with disabilities.

Statement of Activities

For the Year Ended June 30, 2004 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Assets Governmental Activities	Business-type Activities	Total
Primary government					
Governmental activities					
Health and social services	550	-	(550)	-	(550)
General Government	1,812,107	618,591	(1,193,516)	-	(1,193,516)
Interest	1,341	-	(1,341)	-	(1,341)
Total governmental activities	$1,813,998	$618,591	($1,195,407)	-	($1,195,407)
Business activities					
Insurance programs	335,476	360,530		25,054	25,054
Total business activities	$335,476	$360,530		$25,054	$25,054
Total Primary Government	**$2,149,474**	**$979,121**			**(1,170,353)**
General revenues					
Appropriations from state resources			1,158,131	-	1,158,131
Lapsed appropriations			(9,768)	-	(9,768)
Receipts collected and transmitted to the State Treasury			(1,041)	-	(1,041)
Public utility taxes			45,850	-	45,850
Interest and investment income			897	771	1,614
Other revenues			4,256	-	4,256
Capital transfers from other state agencies			4,272	-	4,272
Amount of SAMS transfer-in			(64,481)	-	(64,481)
Transfers-in			120,744	2,000	122,744
Transfers-out			(37,641)	(6,883)	(44,524)
Total general revenues and transfers			**($1,221,219)**	**($4,166)**	**($1,217,053)**
Change in net assets			25,812	20,888	46,700
Net assets, July 1, 2003			$179,562	$34,119	$213,681
Net assets, July 1, 2004			$205,734	$55,007	$260,381

Statement of Net Assets

For the Year Ended June 30, 2004 (Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Unexpended appropriations	61,780	-	61,780
Cash equity with the State Treasurer	152,511	84,250	236,761
Cash and cash equivalents	24,236	6,951	31,187
Investments	4,366	-	4,366
Receivables, net:			
Taxes	5,164	-	5,164
Intergovernmental	737	128	865
other	8,141	9,511	17,652
Unrestricted internal balances	11	(11)	-
Due from other Department fiduciary funds	17	-	17
Due from other state funds	51,539	-	51,539
Due from State of Illinois component units	5,805	-	5,805
Inventories	1,257	-	1,257
Prepaid expenses	908	-	908
Restricted assets			
Cash and cash equivalents	108	-	108
Capital assets not being depreciated	37,706	-	37,706
Capital assets being depreciated, net	220,296	-	220,296
Total assets	**574,582**	**100,829**	**675,411**
LIABILITIES			
Accounts payable and accrued liabilities	251,047	45,706	296,753
Intergovernmental payables	11,258	-	11,258
Due to department fiduciary funds	4,281	-	4,281
Due to other state fiduciary funds	89	-	89
Due to other state funds	28	-	28
Due to State of Illinois component units	1,135	-	1,135
Deferred revenues	8	-	8
Long term obligations			
Due within one year	39,706	3	39,709
Due subsequent to one year	61,656	113	61,769
Total liabilities	**369,208**	**45,822**	**415,030**
NET ASSETS			
Invested in capital assets, net of related debt	231,462	-	231,462
Restricted for:			
Debt services	8,186	-	8,186
Capital projects	7,916	-	7,916
Unrestricted (deficits)	(42,190	55,007	12,817
Total net assets	**205,374**	**55,007**	**260,381**

CENTRAL MANAGEMENT SERVICES
DIRECTOR'S OFFICE

Acting Director
Paul J. Campbell
217-782-2141

Assistant Director
Paul J. Campbell
217-782-2141

Assistant Director
N. Keith Chambers
312-814-2141

Chief Operating Officer
Brian Chapman
217-782-2141

Acting General Counsel
Letitia Dominici
312-814-2268

Deputy Chief Operating Officer
Marcia Armstrong
217-558-2728

Deputy Chief Operating Officer
Theresa Larkin
312-814-3133

Deputy Chief Operating Officer
VACANT

Andrew Estep
Deputy Director
217-782-2141

State Purchasing Officer
Tom Sestak
217-558-2586

Equal Opportunity Officer
VACANT

Deputy Director
Bureau of Communication & Computer Services
Tony Daniels
217-524-6770

Deputy Director
Bureau of Strategic Sourcing & Procurement
Mike Smith
217-782-1190

Deputy Director
Bureau of Information Services
Marybeth Johnson
217-558-1547

Deputy Director
Bureau of Property Management
Bruce Washington
217-785-0562

Deputy Director
Governmental Affairs
Melissa Hansen
217-785-1941

Bureau of Benefits
Patrick Connor
312-814-2131

Chief Internal Auditor
Office of Internal Audits
John Cressman
217-782-1925

Deputy Director
Business Enterprise Program
Natalie Pedraza
312-814-1282

Deputy Director
Bureau of Personnel
Anne McElroy
217-524-8773

Acting Chief Financial Officer
Officer of Finance & Management
Marcia Armstrong
217-558-2728

CMS Bureau Responsibilities

Bureau of Administrative Operations

The Bureau of Administrative Operations oversees the general management of the agency.

The different areas of administrative management include the following:

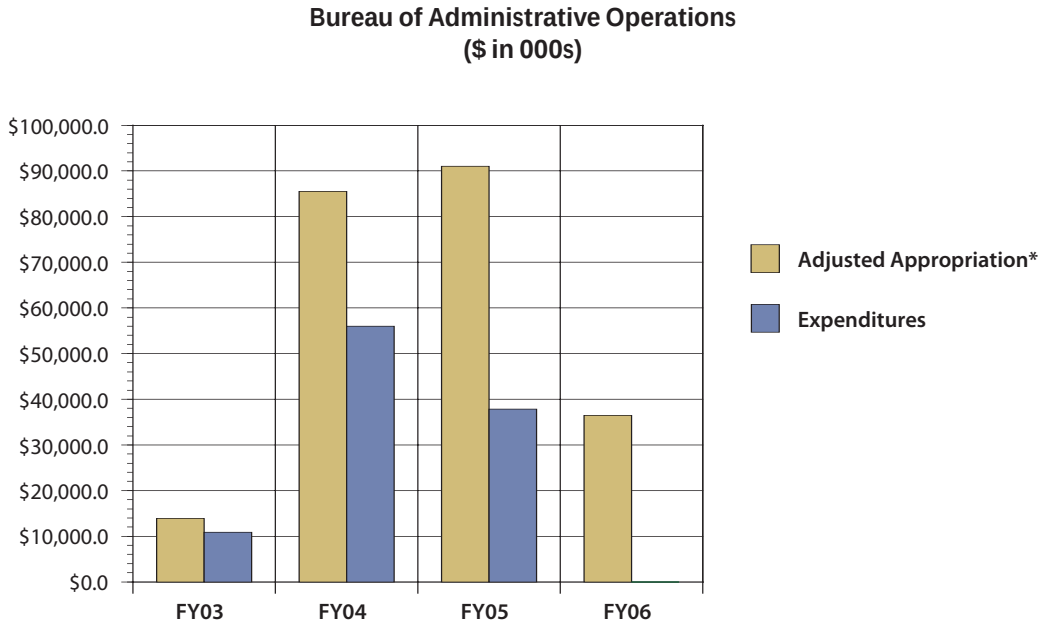
- Director's Office
- Legal Services
- Governmental Affairs
- Internal Audit
- Budget Planning, Expenditure Control, Accounting and Financial Reporting Units.

Please find below a listing of authority granted associated with each of these initiatives.

Consolidation Initiative	Consolidation Authority
Illinois Office of Internal Audits	Governor's Executive Order 2003-10
Information Technology Consolidation	20 ILCS 405/405-410
Legal Consolidation	Governor's Executive Order 2003-10
Public Information Officer Consolidation	Governor's Executive Order 2004-2
Facilities Management Consolidation	Governor's Executive Order 2003-10 20 ILCS 405/405-415
Workers' Compensation Consolidation	20 ILCS 405/405-411
Security Consolidation to ISP	Governor's Executive Order 2004-4
Illinois Century Network	20 ILCS 405/405-410

Resources Dedicated to Administrative Operation Functions:

Appropriation



Significant increases to appropriation for the Bureau of Administrative Operations accrued between Fiscal Years 2003 and 2004 along with significant decreases between Fiscal Years 2005 and 2006. In both cases, these changes to appropriation were directly related to consolidation and efficiency initiatives. In the case of the increase, CMS' appropriation increased $63,200,000 in FY04 as a result of the Efficiency Initiatives Revolving Fund, a fund dedicated to supporting statewide investment functions of efficiency initiatives and a depository for the revenues associated with the initiatives. In addition, the bureau also had increased appropriation as a direct result of the Audit and Legal Consolidations. Administrative Operations consolidated $8,880,733 in appropriation for these consolidations in FY04, $1,435,170 in FY05, and $1,208,200 for FY06 for Audit and Legal functions.

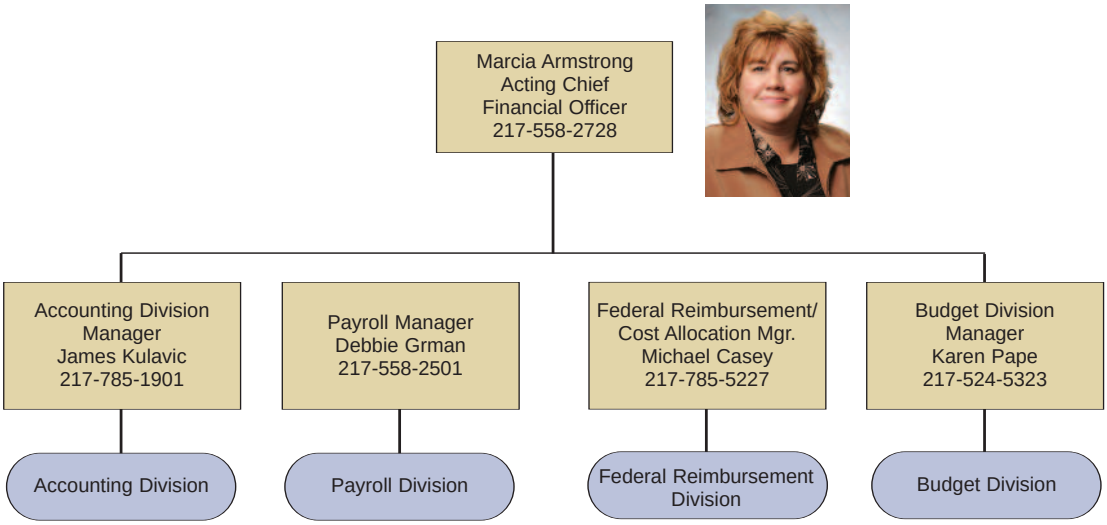
As one compares Fiscal Years 2005 and 2006, a significant decrease in appropriation is shown. This decrease, as stated, is also efficiency related. As the consolidation process matured, the reliance on the Efficiency Initiative Revolving Fund for investment resources decreased and the daily business of the consolidations are worked into regular operations of the agency and resulted in a net decrease of appropriation for the Efficiency Initiatives Revolving Fund in the amount of $56,217,900.

HEADCOUNT

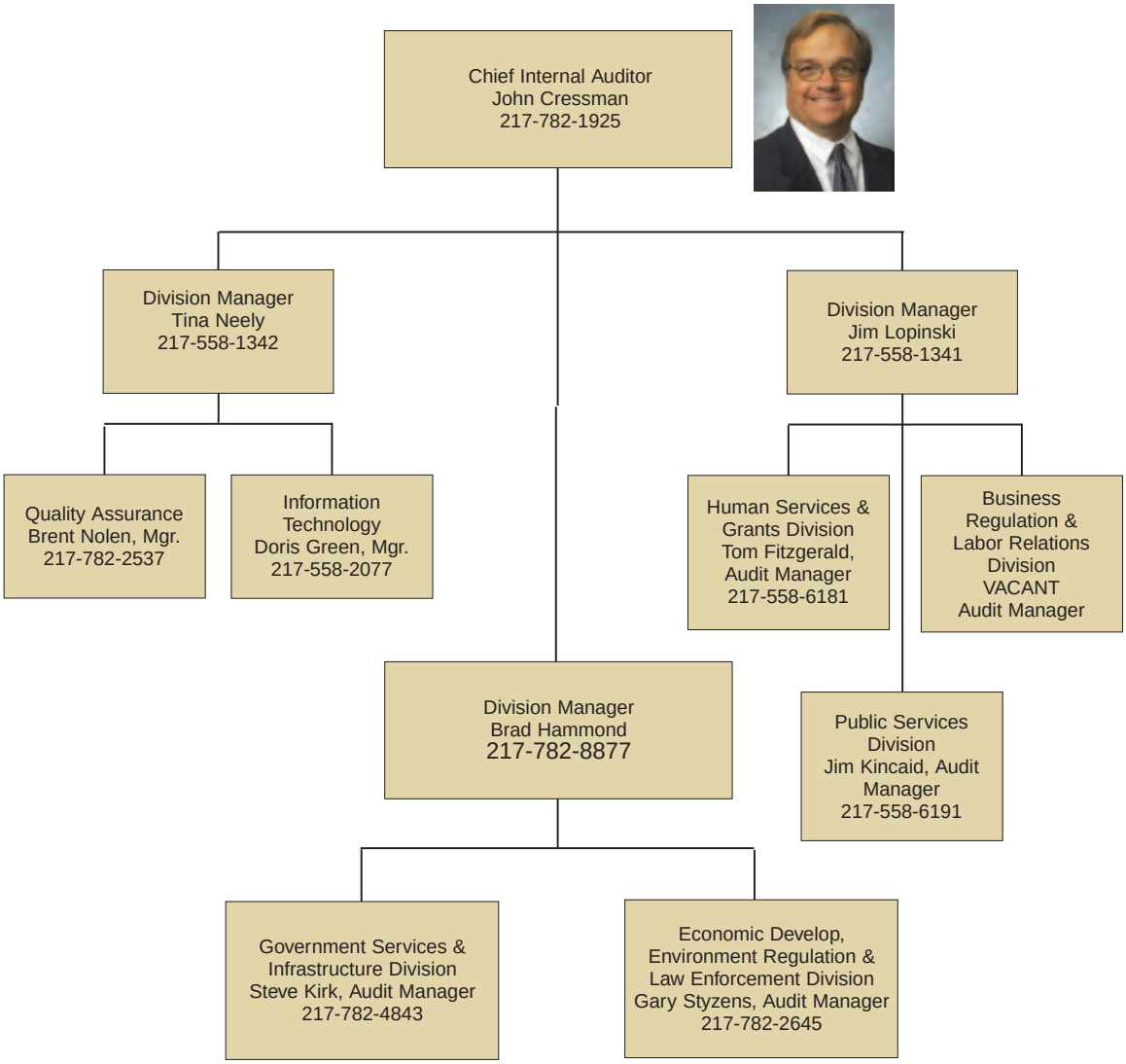
Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Administrative Operations	**193**	**205**

Since the consolidation efforts associated with the Audit and Legal functions, the Administrative Operations bureau has remained stable. At this time, this internal bureau is not expected to experience any significant fluctuations with regard to funded headcount levels.

OFFICE OF FINANCE AND MANAGEMENT



ILLINOIS OFFICE OF INTERNAL AUDIT



LEGAL SERVICES

Acting General Counsel
Letitia Dominici
312-814-2268

- Deputy General Counsel Personnel, Jeffrey Shuck, 217-782-5778
- Deputy General Counsel Prop. Mgmt. & Claims, Chad Walker, 312-814-2322
- Senior Deputy General Counsel Admin./Support Services, Letitia Dominici, 312-814-2268
- Deputy General Counsel Labor Relations, Gia Morris, 217-782-1995
- Deputy General Counsel Benefits, Janice Bonneville, 217-782-9491
- Deputy General Counsel Communications Computer Info. Services, Daniel Fewkes, 217-782-5566

OFFICE OF GOVERNMENTAL AFFAIRS

Deputy Director of Governmental Affairs
Melissa Hansen
217-785-1941

- Legislative Liaison, Tim McLean, 217-785-1941

Bureau of Information Services (Illinois Office of Communication and Information)

The many critical functions related to the Bureau of Information Services are centered on all media of communication both within state government and external to state government. A list of core services provided is as follows:

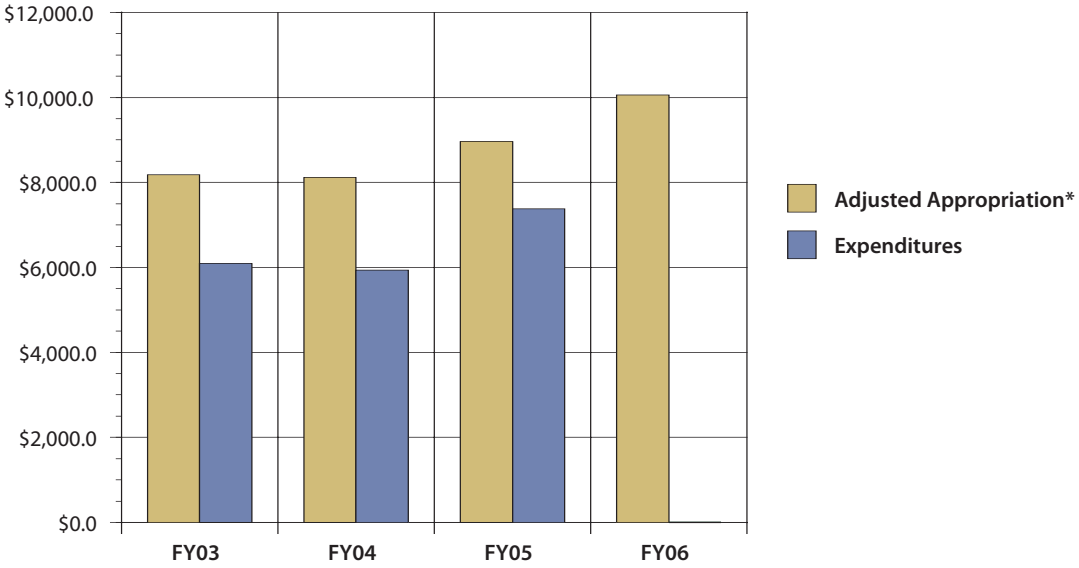
- Media Relations
- Graphic Design
- Daily news feeds for radio stations
- Studio & location photography and video services
- Satellite uplink/downlink system for live audio and video feeds
- Multimedia content for computer and Internet use
- Daily news clip services (prepares and distributes news releases)
- Radio services
- Editorial and press summary services
- Printing Services; contract printing services
- Mail and Messenger Services

Pursuant to Governor's Executive Order 2004-2, certain media relations' functions (i.e. public information officers and graphic designers) were centralized within CMS. During Fiscal Year 2005, Phase One of the Media Initiative was implemented, the Public Information Officer Consolidation. Fiscal Year 2006 saw the immediate consolidation of Graphic Artist services into CMS.

Resources Dedicated to the Bureau of Information Services:

Appropriation

Bureau of Information Services
($ in 000s)



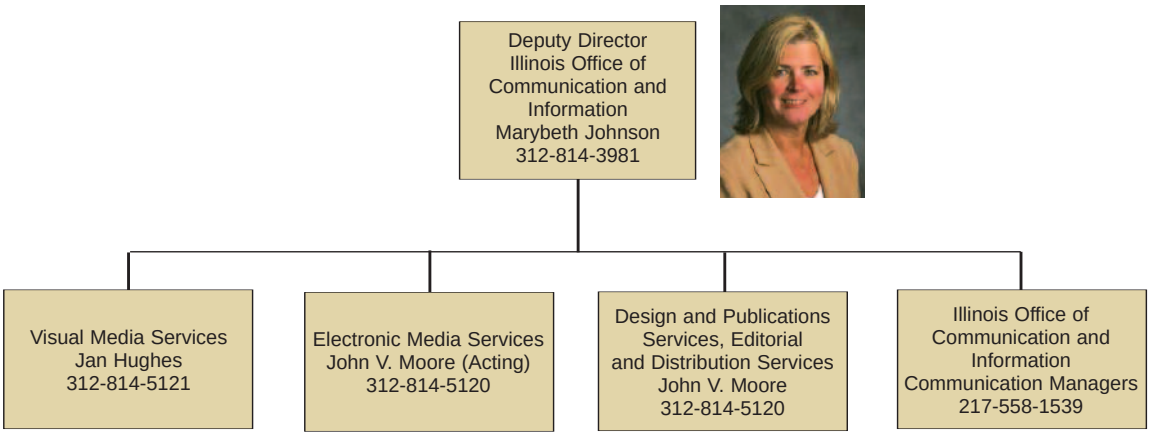
Appropriation levels for the Bureau of Information Services were stable during Fiscal Years 2003 and 2004. Fiscal Year 2005 brought the consolidation of the Public Information Officers (PIO) during the month of August. Appropriations continued to increase in Fiscal Year 2006 as a result of annualizing the impact of PIO Consolidation from FY05 to FY06, coupled with a full year's appropriation to support the Graphic Artist Consolidation effective July 1, 2005. The dollar value of the PIO consolidation from FY04 to FY05 is $4,211,375 and from FY05 to FY06, $935,600 for the Graphic Artist Consolidation plus PIO incremental dollar increases for annualization of $88,348.

HEADCOUNT

The Public Information Officer Consolidation absorbed 30 funded positions to CMS in Fiscal Year 2005. Moving directly into Fiscal Year 2006, CMS absorbed 11 headcount positions for the purposes of the Graphic Artist Consolidation. Headcount is expected to remain level until another anticipated phase of the media initiative is complete, the Web Content Consolidation. However, this phase of the initiative is relatively small in size and the expectation is that approximately 15 positions will be absorbed and transferred to CMS.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Information Services	**58**	**73**

INFORMATION SERVICES

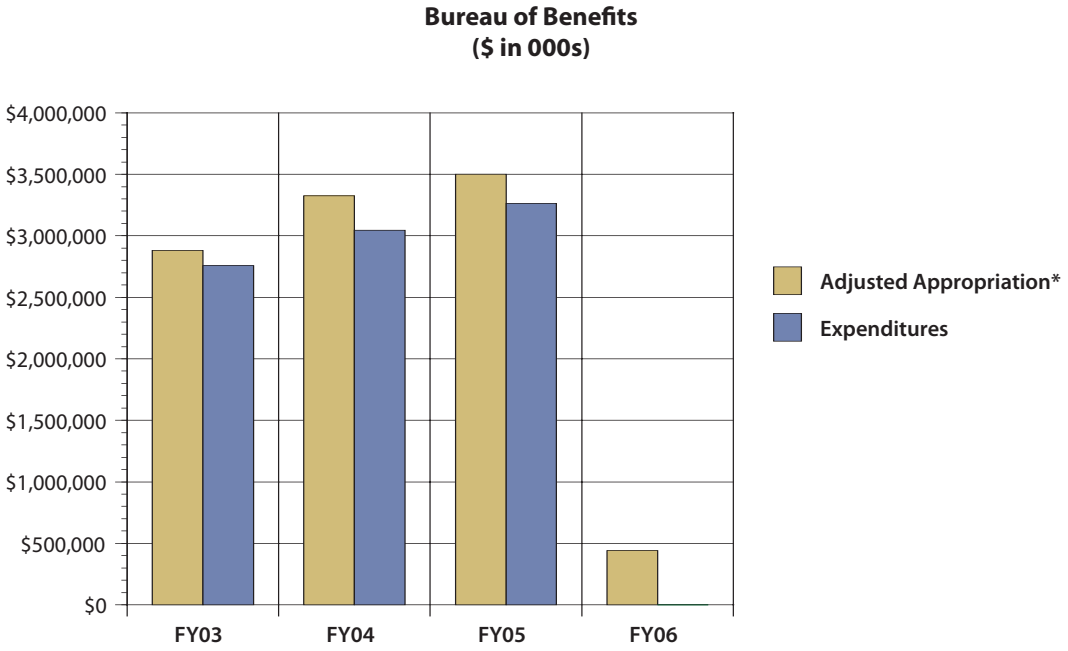


Bureau of Benefits

- Administers a group insurance plan for state employees, retirees, and dependents.
- Administers a group insurance plan for retirees and dependents of community colleges and downstate public school districts.
- Administers a self-funded group insurance plan for local government employees, retirees, and dependents.
- Administers pre-tax Medical Care Assistance, Dependent Care Assistance, and Qualified Transportation Benefit Programs for state employees.
- Administers a Deferred Compensation Plan for state employees.
- Administers risk management programs for workers' compensation, auto liability, and representation and indemnification.
- Effective July 1, 2005, Governor's Executive Order 2005-3 transferred the procurement of health insurance to the Department of Healthcare and Family Services.
- Administers state employees workers' compensation claims (except for University of Illinois and Illinois Toll Highway Authority), a function previously decentralized in four different agencies.

Resources Dedicated to the Bureau of Benefits:

Appropriation



**Adjusted appropriations and expenditures are inclusive of both appropriated and non-appropriated funds.*

Resources Dedicated to the Bureau of Benefits:

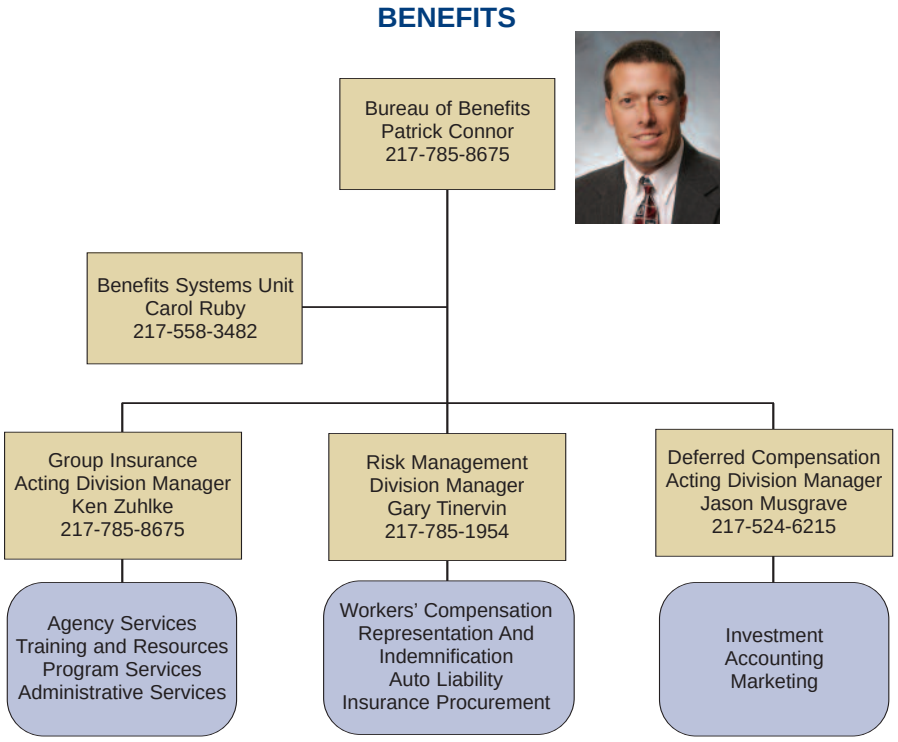
Fluctuations in appropriation for the Bureau of Benefits for Fiscal Years 2003, 2004, and 2005 are a direct result of liability adjustments made to the statewide budget to accommodate

the cost of doing business. In addition, CMS consolidated statewide functions of Workers' Compensation during Fiscal Year 2005. This consolidation was effective September 1, 2004, and the bureau received an additional $45,915,339 in appropriations. The annualization of the consolidation was complete in Fiscal Year 2006 with additional appropriations of $24,696,024. In Fiscal Year 2006, CMS experienced a significant reduction in appropriation associated with the consolidation of statewide healthcare purchasing to the Department of Healthcare and Family Services. In this case, CMS' appropriation was reduced in the amount of $2,756,987,726.

HEADCOUNT

Increases in headcount for the Bureau of Benefits transformation are relatively small. Workers' Compensation absorbed 23 positions into CMS and coupled with the 12 positions that CMS had on staff at the time of consolidation, represents 35 staff positions dedicated to the consolidated Workers' Compensation Unit. Decreases in headcount between Fiscal Year 2004 and 2006 are a combined result of the transfer out of positions to the Department of Healthcare and Family Services coupled with regular reductions in funded headcount levels.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Benefits	**138**	**107**

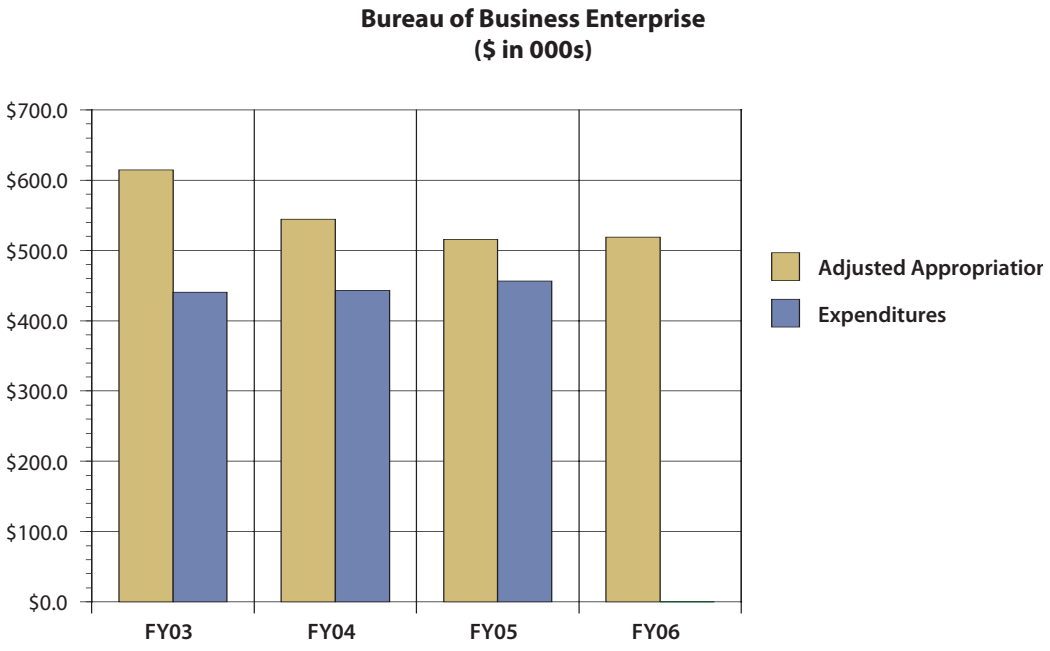


Bureau of Business Enterprise Program

Promotes the economic development of businesses owned by members of minority groups, females, or persons with disabilities by providing access and assistance in the procurement process for contracts from state agencies and universities.

Resources Dedicated to the Business Enterprise Program:

Appropriation



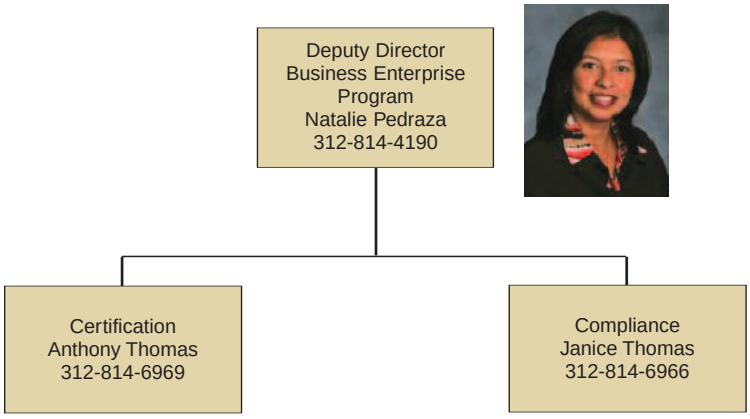
Appropriations for the Bureau of Business Enterprise Program have steadily declined over the past several Fiscal Years due to budgetary constraints. Fiscal Year 2006 yielded a slight increase in appropriation associated with rate adjustments for the cost of operations. The Bureau of Business Enterprise Program is a small but integral part of CMS.

HEADCOUNT

Funded headcount levels for the Business Enterprise Program have remained stable over the past several Fiscal Years.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Business Enterprise Program	6	6

BUSINESS ENTERPRISE PROGRAM

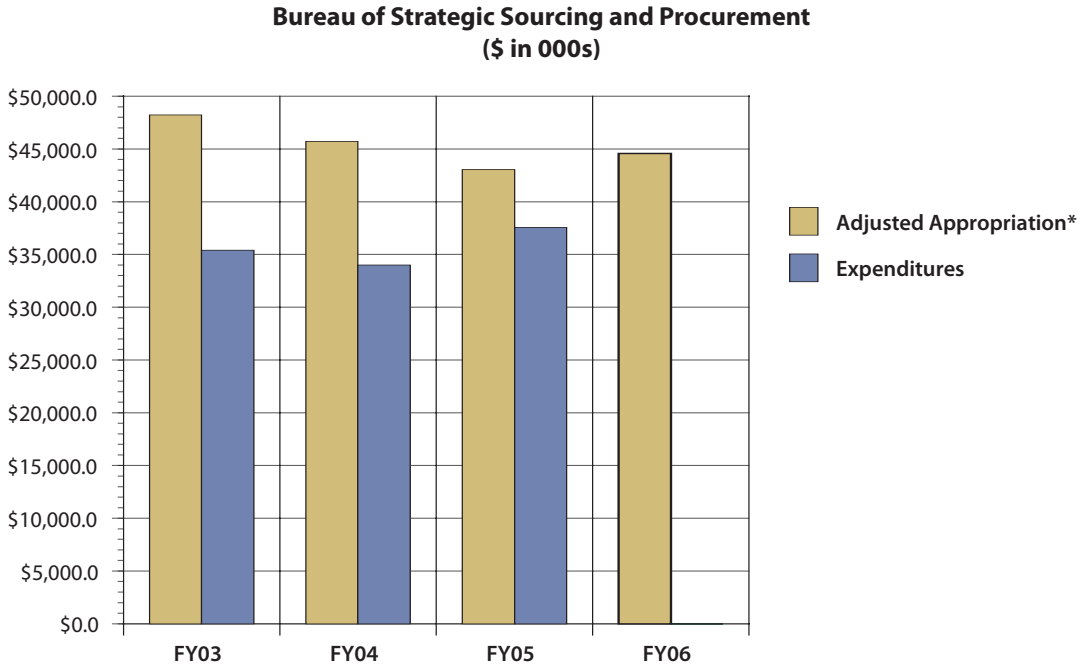


Bureau of Strategic Sourcing and Procurement

- Oversees state equipment and commodity procurements.
- Encourages joint purchasing by local governments off state contracts.
- Designates procurements restricted to small business bidding.
- Encourages contracting for goods and services from qualified sheltered workshops.
- Manages the state vehicle fleet.
- Operates state garages for repair and maintenance of the state fleet.
- Administers the motor pool and leasing program.
- Provides meaningful employment opportunities for persons with disabilities and offers training opportunities for these individuals.

Resources Dedicated to the Bureau of Strategic Sourcing and Procurement:

Appropriation



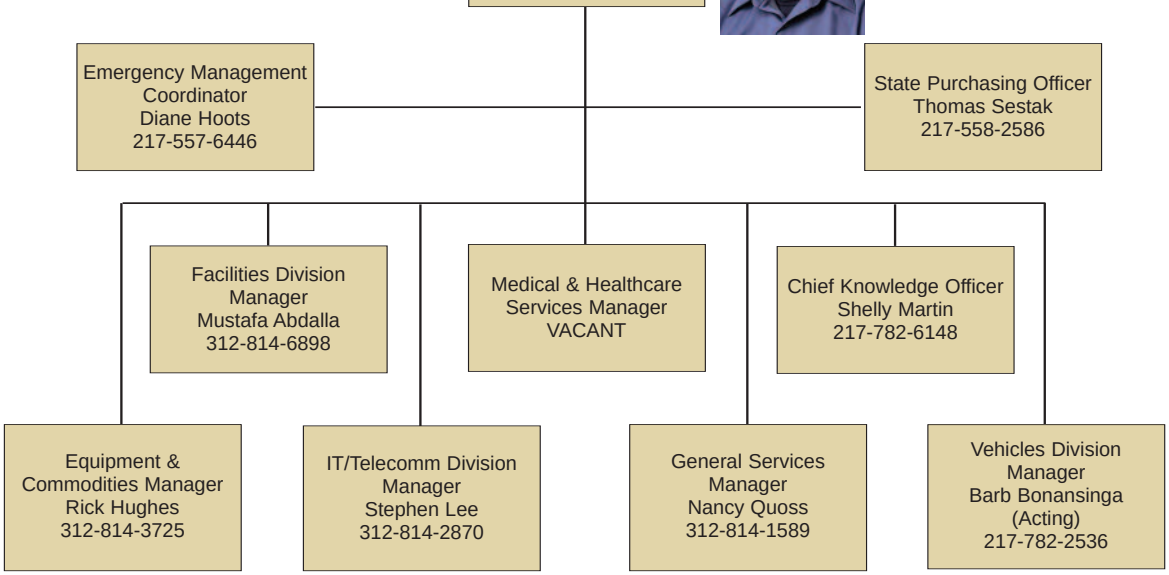
Appropriations for the Bureau of Strategic Sourcing and Procurement are relatively stable. The bureau has experienced restructuring due to the Procurement Efficiency Initiative but has done so by reallocating existing staff and resources from within CMS.

HEADCOUNT

Additional headcount from Fiscal Year 2004 to Fiscal Year 2005 is a result of the restructuring.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Strategic Sourcing and Procurement	**243**	**260**

STRATEGIC SOURCING AND PROCUREMENT

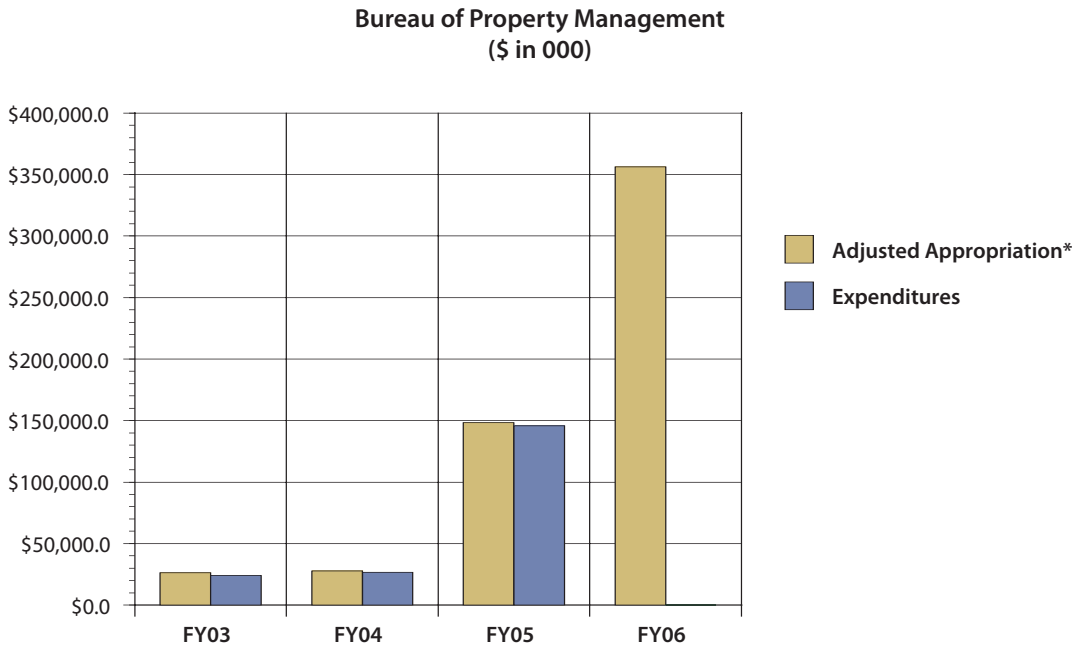


Bureau of Property Management

- Manages and maintains many state owned buildings.
- Secures space by lease or purchase to meet agency needs.
- Coordinates the disposition of surplus real property.
- Supervises the physical inventory of state property.
- Coordinates the disposition of surplus state property.
- Administers a surplus property program to distribute surplus federal property.
- Coordinates state recycling programs.
- Administers special events in all Northern Regional Facilities.
- Pursuant to Governor's Executive Order 2003-10, certain facilities management functions of agencies under the Governor transferred to CMS.

Resources Dedicated to the Bureau of Property Management:

Appropriation



The Bureau of Property Management has experienced tremendous growth due to the consolidation of Facilities Management functions for agencies under the Governor and is by far the largest transformation in CMS. The bar graph above illustrates how dramatic the consolidation was to the appropriation levels. Since the Facilities Management Consolidation is centered on property assets, leasing, real estate, etc., the associating operational functions are high dollar in nature.

Fiscal Year 2005 began the Facilities Management Consolidation and it is easy to see the transformation take shape. The transfers associated with the Facilities Management Consolidation in FY05 were valued at $143,788,130. This includes CMS appropriations

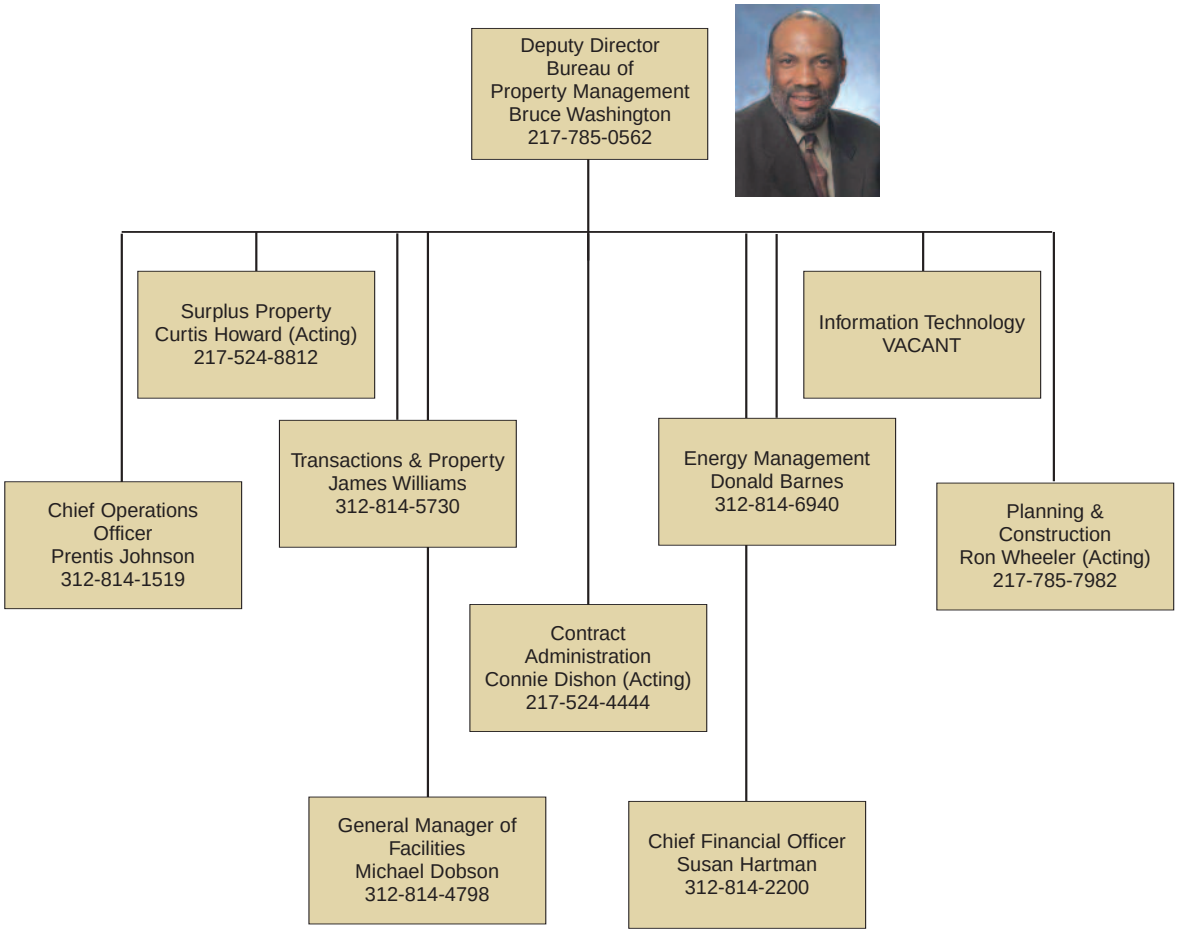
that were also transferred via Executive Order. The large upward trend from FY05 to FY06 is representation of consolidation of the entire statewide real estate portfolio. As operations stabilize and historical experience is gained with this arena, adjustments may be made to the appropriation levels in subsequent years if they are found to be out of alignment with operational expenditures.

HEADCOUNT

Headcount also played an integral part in the Facilities Management Consolidation. 207 positions were transferred to CMS and coupled with the Property Management staff CMS already employed; the program now yields 320 consolidated positions.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Property Management	**145**	**362**

PROPERTY MANAGEMENT

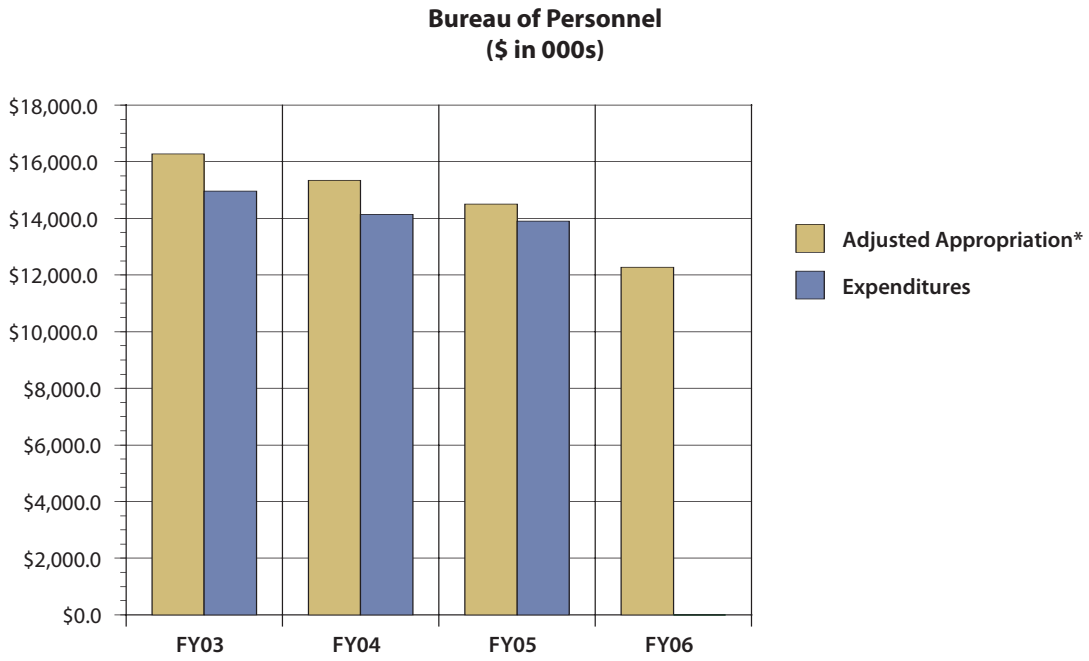


Bureau of Personnel

- Develops and administers the State's Personnel Code, Personnel Rules, Pay Plan, Position Classification Plan, current collective bargaining agreements and other applicable laws.
- Recruits and counsels candidates for state employment.
- Develops and administers testing and selection instruments.
- Establishes and implements classification and compensation standards, employee and agency transactions, payroll certification, and administration of the Rutan Supreme Court decision.

Resources Dedicated to the Bureau of Personnel:

Appropriation

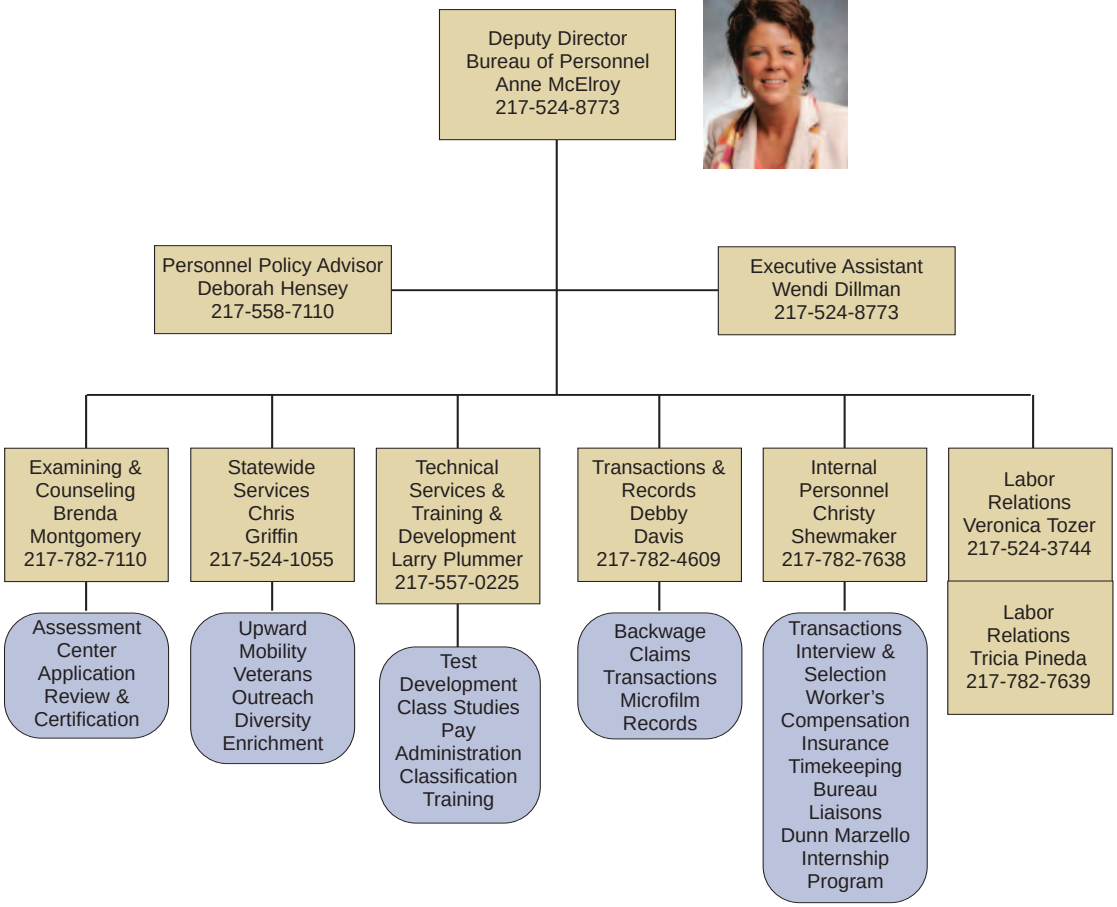


The appropriation levels for the Bureau of Personnel have continued to decline steadily over the past several Fiscal Years due to budgetary constraints and rate adjustments.

HEADCOUNT

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Personnel	**150**	**142**

PERSONNEL

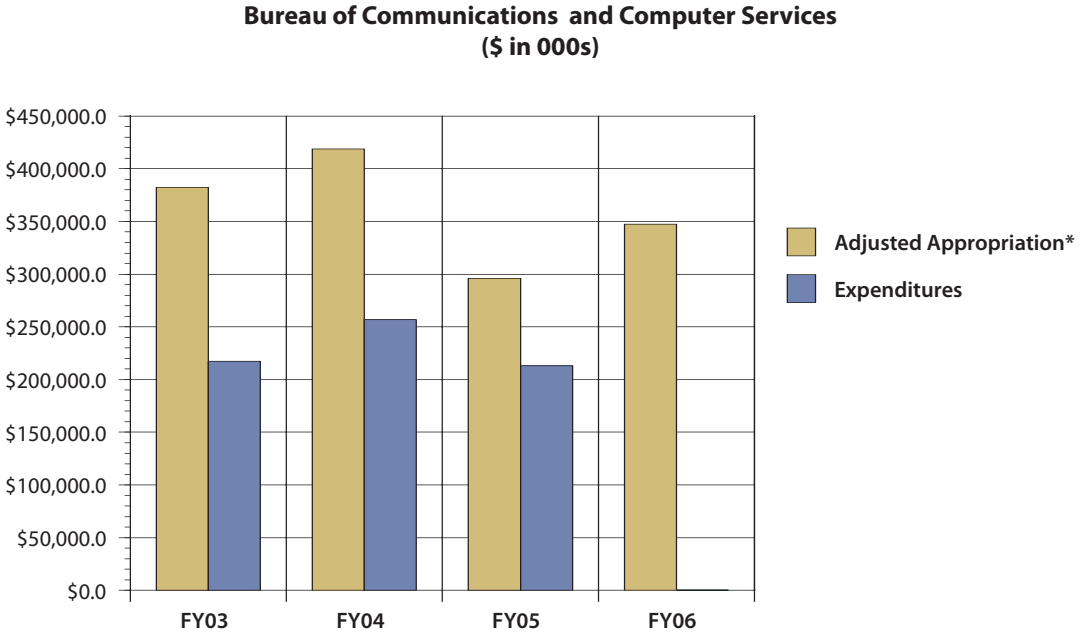


Bureau of Communications and Computer Services

- Manages the planning, procurement, managing, maintaining, and delivering of voice, data, wireless, video, Internet, and telecommunications services to all state government agencies, boards, commissions, and state supported institutions of higher education in Illinois, as well as other governmental and some non-governmental entities.
- Operates the Central Computer Facility, which provides mainframe processing systems and support for most state agencies.
- Manages the Illinois Century Network, a service that creates and maintains high speed telecommunications networks providing reliable communication links to and among Illinois schools, institutions of higher education, libraries, museums, research institutions, state agencies, units of local government and other local entities providing services to Illinois citizens.
- As part of the Information Technology and Telecommunications Rationalization, BCCS centralized infrastructure functions previously devolved in certain agencies.

Bureau Resources Dedicated to the Bureau of Communication and Computer Services:

Appropriation



The Bureau of Communication and Computer Services represents a significant portion of CMS resources in both appropriation and staff. Declines in appropriation from FY04 to FY05 were a direct result of taking the appropriation and ratcheting it downward to be more in line with actual expenditures, as experienced in Fiscal Year 2003. Moving forward into Fiscal Year 2006, CMS experiences an increase in appropriation. This increase is a result of the Information Technology Infrastructure Consolidation. This consolidation was significant

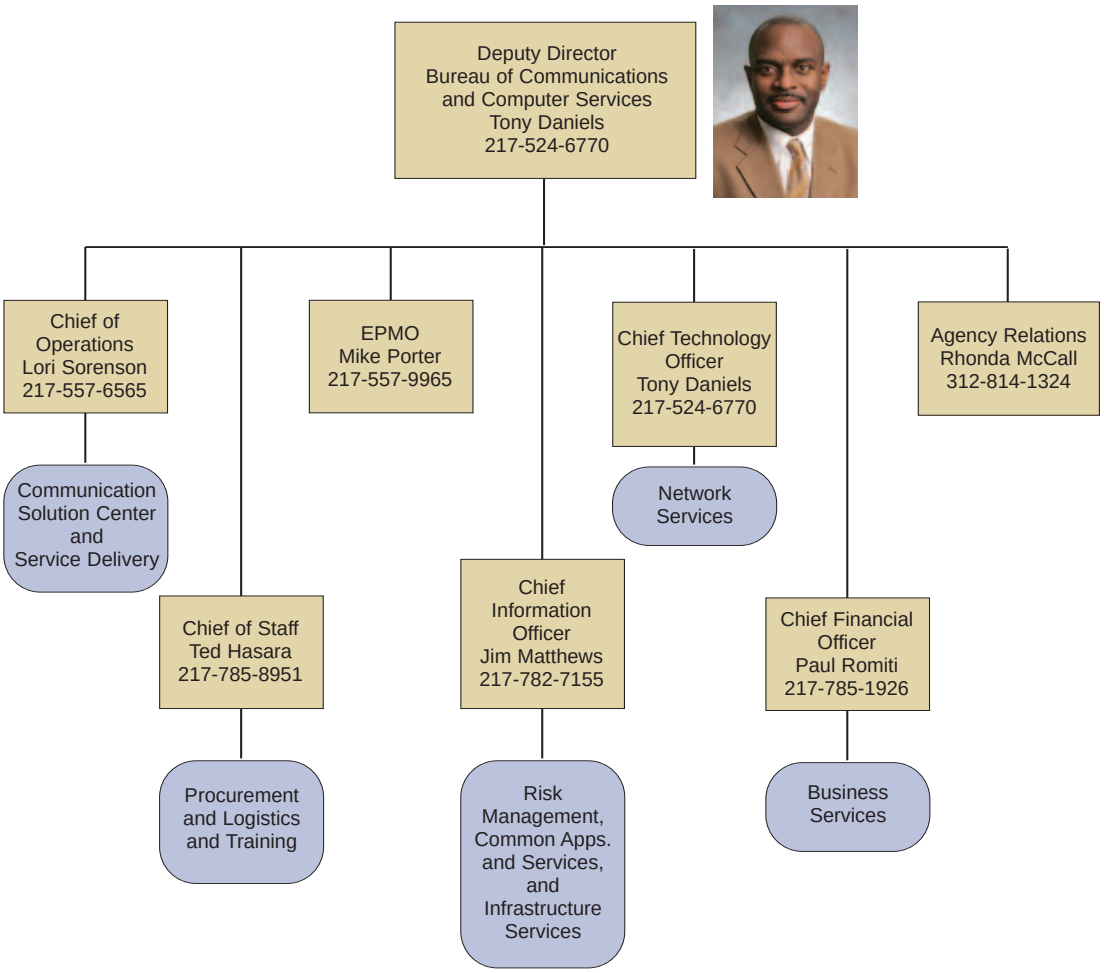
in scope and was valued at $13,632,515 in Fiscal Year 2005. Fiscal Year 2006 increases are a result of annualization effects of the consolidations that took place in Fiscal Year 2005.

HEADCOUNT

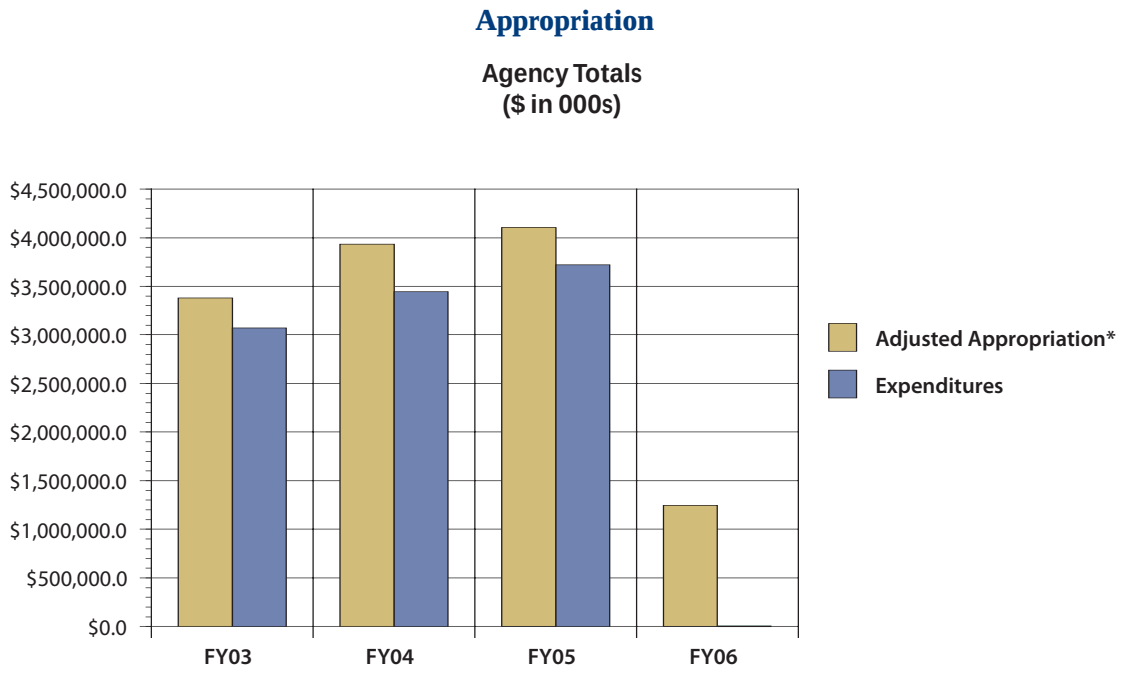
As one can see, funded headcount levels have substantially changed for the Bureau of Communication and Computer Services. Fiscal Year 2005 saw an increase in headcount associated directly with the consolidation of 422 positions.

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Bureau of Communication & Computer Services	**396**	**874**

BUREAU OF COMMUNICATIONS AND COMPUTER SERVICES



AGENCY DEDICATED RESOURCES:



**Adjusted appropriations and expenditures are inclusive of both appropriated and non-appropriated funds.*

All changes in appropriation from one Fiscal Year to the next are a culmination of many different factors. These factors include, but are not limited to, rate adjustments, budget constraints, consolidation efforts, operational necessity, etc. When viewing the agency-wide view of appropriations (above), it is easy to see the significant difference in appropriation from FY05 to FY06. The factor most attributable to this decrease is the consolidation of the Group Insurance functions into the Department of Healthcare and Family Services.

HEADCOUNT

Overall Bureau Funded Headcount Total	FY04 End of Year	FY05 EOY FY06 BOY
Agency Funded Headcount	**1,367**	**2,029**

Headcount totals above represent funded headcount levels at the end of Fiscal Year 2004 and 2005, respectively. Many factors contribute to changes in funded headcount levels such as budgetary constraints, consolidations, and operational necessity. CMS' original funded headcount total for Fiscal Year 2004 was 1180. By the end of FY04, CMS had consolidated the functions of the Office of Internal Audits and Phase I of the Legal Consolidation and 187 funded headcount.

FY05 brought the immediate transfer of the Bureau of Internal Security and Investigations into the Illinois State Police and resulted in a net loss of 38-funded headcount to CMS. Moving throughout FY05 brought many additional initiative consolidations and headcount to CMS. As one can see from the table below, during the course of FY04 and FY05, CMS absorbed a net of 833 employees due to consolidation related activities.

In order to provide an ample view of the magnitude of the initiative program areas, it is important to also show in addition to consolidation headcount the CMS headcount that does not constitute growth to the agency per se. This culmination of staff is a full representation of the size and scope of the program areas (see table below).

	FY04-05 Consolidated Staff	FY05 CMS Existing Staff	FY05 Total
Consolidation Headcount Totals:	**833**	**1196**	**2029**
Illinois Office of Internal Audits	100	0	100
Information Technology Consolidation	422	258	680
Legal Consolidation	23	0	23
Public Information Officer Consolidation	30	0	30
Facilities Management Consolidation	207	113	320
Workers' Compensation Consolidation	23	12	35
Security Consolidation to ISP	(38)	0	(38)
Illinois Century Network	66	0	66
Other CMS Regular Operations	0	813	813

- The Department provides a variety of centralized services under a shared-services model for the operation of state government.
- The Department provides personnel services for state agencies; administers the State Employee Benefits Program; purchases goods and services for state agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about state government to the news media and general public.
- The Department employs volume purchasing and economies of scale to reduce costs and improve government efficiency.
- The Department also promotes the economic development of minority and female businesses and rehabilitation facilities for persons with disabilities.
- The Department consolidated various functions and related headcount.
- The Department transferred out security services and the procurement of health insurance to agencies where these functions were more suited to their core mission.