State of Illinois
Rod R. Blagojevich, Governor

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

Central Management Services

Running the business of government like a business

A Progress Report to the People of Illinois

January 2007

CMS Shared Services - At a Glance

The Department of Central Management Services is the main procurement and administrative services agency for the State of Illinois. We work with client agencies and members of the General Assembly to deliver critical, efficient and cost-effective services to Illinois taxpayers.

About Central Management Services:

Purchasing: Directs a statewide procurement system

- Helps State agencies buy more than $10 billion of goods and services a year

Fleet: Administers and maintains the 12,000 cars and trucks in the State's motor vehicle fleet

Real Estate: Manages 60 million square feet of facilities owned or leased by the State

- Allocates space and directs power, utilities, landscaping and maintenance at 1,000 buildings

IT and Communications: Provides the State's telecommunications and IT infrastructure services

- Also runs the Illinois Century Network – the State's IT "backbone" – which carries agencies' critical data traffic and provides Internet services to more than 2 million Illinois citizens at nearly 8,000 schools, libraries, hospitals and other public institutions

Personnel: Serves as the State's central personnel department

- Responsible for the 57,000 employees under the Governor's direct control

Benefits: Administers benefits for State employees, retirees and their dependents

- Touches more than 420,000 lives

Supplier Diversity: Manages the State's small and diverse business programs – to increase contracting opportunities and help minority and women entrepreneurs grow their businesses

And More: CMS also manages labor relations, internal auditing, workers' compensation and public information duties for State agencies and provides legal services for procurement, personnel, labor and contracts

---

In the past four years, CMS has transformed how the business of government is conducted.

Through this multi-year initiative, we are working to consolidate and coordinate the State's core business functions using a shared services model and best business practices to run administrative, back-office duties more efficiently, effectively and cost-effectively – enabling our client State agencies to focus their energies and resources toward their core missions. Our goal is to provide better customer service to other State agencies and, ultimately, the people of Illinois.

CMS also plays a support role to the Governor's Office of Management and Budget in the Shared Services project to coordinate payroll, human resources and accounting functions of State agencies.

This report is dedicated to the people of Illinois and to all the employees at CMS and throughout the State of Illinois who work so hard on their behalf.

January 2007

Dear Fellow Illinoisan:

The cover of this report features a compass. This image is meant to convey that CMS has set out on a lengthy voyage to streamline State of Illinois administrative functions, following a specific compass bearing to keep us on track – namely, Governor Blagojevich's 2003 directive to run the business of government like a business.

As you will see in the following pages, we have taken great strides toward making State government more efficient, more cost-effective, more accountable and more transparent to our "customers": taxpayers, State agencies, potential vendors, the broader business community and - ultimately – the people of Illinois.

We continue to consolidate the management and delivery of many of the State's administrative or "business" functions including procurement, telecommunications, information technology, property management, internal audit, legal and public information services.

We have expanded access to State contracting opportunities and conducted an aggressive outreach effort to educate small and diverse Illinois businesses – today, many more potential vendors know they can grow their revenues and build their capacity when they make the State their next customer.

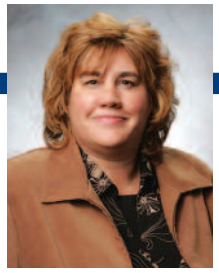
We have brought many business innovations into State government operations, using new technologies and more efficient processes to carry agencies' critical data traffic, auction surplus property online, simplify citizen access to State resources and personnel, and much, much more.

This concerted effort involves nothing less than a transformation of the State of Illinois support services, using the Shared Services model we borrowed from the private sector. As with other change-management efforts of this magnitude, this transformation will likely take at least several more years to complete.

As you may note, this is titled a Progress Report, because it's meant to chart the progress that CMS has made toward our goal. While mindful of our public-sector responsibility to be transparent as we work to improve the lives of Illinois citizens, our direction to reach that goal is set by our constant compass bearing - to administer the business functions of government with the accountability, cost-effectiveness, customer focus and innovation of a private-sector enterprise.

In short, to run the business of government like a business.

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



January 2007

From the Chief Operating Officer:

In the past four years, Central Management Services has transformed into a shared services environment. It has been quite a challenge, consolidating services and establishing statewide operations that were previously spread across multiple agencies and locations. CMS' efforts have focused on cost reduction, increased transparency of services, and improved accountability in serving citizens. As we evolve into a coordinated enterprise-wide organization, we have built the foundation for sustained performance.

We still have a lot of work ahead of us. Large business transformation programs typically pass through phases as they are established. During inception and initial implementation of shared service initiatives, attention was focused on generating significant and tangible results quickly. Moving forward, CMS is focused on improving governance and maintaining collaborative relationships with our customers.

Citizens across the United States are demanding more efficient services at reduced costs. In combination with budget shortfalls, this has driven the need to begin enterprise-wide organization for many state government programs and services. CMS is committed to developing ongoing strategies to continue the transformation.

Marcia Armstrong
Chief Operating Officer,
Illinois Department of Central Management Services

Table of Contents

I. Section I: Progress

State nearly triples amount of business set-aside for small Illinois firms. 2
CMS launches Sell2Illinois to help small, diverse firms 3
CMS helps equip local police forces 4
Illinois first state to webcast surplus property auctions 5
"Herculean" IT project wins international honor. 6
CMS cuts prices for schools using State's IT network 7
Illinois government going green – in more ways than one 8
Illinois leads effort to recycle electronics 9
Special pen marks milestone for State's support of disabled 10
Purchasing process improvements win national recognition 11
State prepares for attacks, pandemics and emergencies 12
CMS helps Illinois recover from 2006 tornadoes and ice storms 13
Harvard hails Illinois' progress at shared services conference 14

II. Section II: Shared Services So Far

State of Illinois transformation: A view from inside 16
CMS looking ahead. 30

III. Financials and Organization

Message from the Chief Financial Officer. 33
Overview of Financial Statements 34-36
Director's Office. 37
Agency Dedicated Resources 38-39
Bureau of Administrative Operations 40
Office of Finance and Management 42
Illinois Office of Internal Audits 42
Legal Services. 43
Office of Governmental Affairs 43
Bureau of Information Services
(Illinois Office of Communication and Information) 44-45
Bureau of Benefits 46-47
Bureau of Business Enterprise Program. 48-49
Bureau of Strategic Sourcing and Procurement 50-51
Bureau of Property Management 52-53
Bureau of Personnel 54-55
Bureau of Communications and Computer Services 56-57

SECTION I

Progress

Last year CMS made progress in a number of areas: we conserved energy, began to buy "green", increased access to State contracts for small and diverse businesses, used the State's IT backbone to carry agencies' critical data traffic, recycled purchasing knowledge to buy smarter, prepared for - and responded to - emergencies, and employed innovative ways to convert surplus government property into useful public safety tools, additional State revenues and even a floating maritime museum.

Read about these efforts and innovations – and more – in the following pages.

"More and more small Illinois companies are now competing for state business. Gov. Blagojevich understands that expanding these programs gives entrepreneurs throughout the state a chance to increase their revenues and expand their business."

James DeLeo,
State Senator
(D-Chicago)

State nearly triples amount of business set-aside for small Illinois firms

Sell2Illinois initiative spurs interest in opportunities for small, diverse businesses

Small Illinois companies won a record amount of State business during the last year - thanks to the expansion by legislators of the Small Business Set Aside Program and an aggressive outreach effort by CMS.

The State awarded a record $38.5 million in set-aside contracts to small Illinois firms in the last fiscal year – nearly three times the amount awarded the year before.

Since CMS launched its Sell2Illinois initiative – through which the State's procurement agency has hosted outreach events around the state, launched a call center at 866-ILL-BUYS and created an online capability for small and diverse business owners at www.sell2Illinois.gov – an additional 1,800 companies have become engaged in the state procurement process.

The goal of the Small Business Set Aside (SBSA) program is to foster greater competition in government procurement, boost the state's economy, and create more jobs by expanding opportunities for Illinois entrepreneurs. As a result of legislation passed in 2004 and concentrated efforts by CMS to grow the SBSA program, the State has:

- Expanded the number of contracts set aside and awarded to small firms to $38.5 million, a full 176% increase over the fiscal year 2005 total of $14 million.
- Nearly doubled the number of small Illinois firms registered in the program, from 1,925 in January 2005 to 3,735 in December 2006 - up 94%.

CMS has led many efforts to engage small and diverse firms. During the first two years of the Blagojevich Administration, CMS reorganized and streamlined the State's procurement operations – a feat which the National Association of State Procurement Officials recognized with its highest honor, a Gold Cronin Award, in 2004.

Since then, CMS has worked to integrate the SBSA and Business Enterprise Program - for firms owned by women, minorities and persons with disabilities - directly into the new statewide procurement process.

"State government can be an important force to enable opportunities for small and minority-owned businesses, and these results show that Gov. Blagojevich's efforts to support these entrepreneurs are moving in the right direction."

Larry Ivory, *President & CEO*
Illinois State Black
Chamber of Commerce.

CMS launches Sell2Illinois to help small, diverse firms

In 2006 CMS launched an initiative to highlight how entrepreneurs across the state can Sell2Illinois – and expand their capacity, enhance their credentials and grow their revenues – by making the State their next customer.

As the entity that helps State agencies purchase more than $10 billion in products and services every year, CMS is working to inform small and diverse Illinois companies how they can and should compete for this valuable business.

In 2006 - to tout the new initiative - Director Paul Campbell and other CMS officials spoke at nearly 100 workshops, business events and chambers of commerce meetings around the state.

As a result, more money now flows to small companies, and diverse businesses – those owned by women, minorities and persons with disabilities – are learning how they can more effectively compete for State contracts, on their own or with a partner. Spending with diverse firms through the Business Enterprise Program (BEP) increased by $30 million – an 8% increase – to $384 million in Fiscal Year 2005.

To build on that success, last year CMS began requiring that large State contracts specifically include opportunities for BEP-certified firms. The policy change is already bearing fruit: in 2006 alone, State agencies posted 30 requests for proposal that will generate an additional $60 million for diverse firms.

Sell2Illinois is helping small businesses grow their revenues, expand their capacity and increase their competitiveness: in fact, in addition to the $38.5 million that small Illinois firms won through the set-aside program (where they compete only against other small firms), they also won a significant amount of State business when competing outside the program – an estimated $98 million last year.

Potential suppliers can register their businesses, check out current and upcoming opportunities – and gain access to people and resources that can help them navigate the State's streamlined procurement process – by visiting www.sell2.illinois.gov.

Sell2Illinois
Make the State of Illinois your next customer
www.sell2.illinois.gov

"At the Women's Business Development Center, we're excited about new business opportunities with state agencies. We now see there is better access to state contracting opportunities."

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

"Being a BEP certified company has really helped me get my foot in the door with government contracts that were otherwise inaccessible to us."

David Gupta, *Founder*
System Development Integration, Inc.

"The Small Business Set-Aside and Business Enterprise Programs are important tools to help small and minority business owners compete with larger companies. Business owners can easily register for these programs and they should know that doing business with the state can be a great way to grow their business."

David Miller, *State Representative*
(D-Dolton)

CMS helps equip local police forces

Police agencies in Illinois received more than $5 million in equipment last year at no cost to the State, thanks to CMS' work to locate and obtain surplus military property for public safety use.

Every year – as the statewide coordinator for the national Law Enforcement Support Office (LESO) program – CMS works to direct surplus federal equipment such as cars, computers, furniture and even helicopters to match the logistical needs of hundreds of state, county and municipal police agencies in Illinois.

"As a former sheriff, I know first-hand the difficulties that budget restraints often place on purchasing public safety equipment. I commend CMS for working long hours to locate and secure this essential equipment for police agencies in Illinois."

George Shadid,
former State Senator
(D-Peoria)

CMS obtained a record $5.1 million in surplus equipment for 683 police agencies statewide last year – up 34% from the previous year and nearly double the $2.7 million provided in FY2004.

In the past year CMS LESO acquired 4 helicopters to serve in regional public safety programs - in Ogle, Lake and Will counties to cover northern Illinois, with the fourth OH-58A slated to arrive in mid-2007 for the central Illinois region. Police use the helicopters for homeland security, counter-drug, and search-and-rescue missions.

In January the Chicago Police Department presented CMS with a special Appreciation of Service Award to recognize its efforts to locate federal property for use in Chicago – including Kevlar vests, helmets, IT equipment and more.

Coast Guard Cutter to become floating museum

A 180-foot decommissioned Coast Guard Cutter will soon serve as a permanent floating museum in Chicago. CMS acquired the *USCGC Acacia* for nonprofit American Academy of Industry to operate as a maritime museum to highlight local industry's contributions to the nation, and as a tribute to veterans of the U.S. Navy, Coast Guard, and Merchant Marines.

The World War II-era ship will display and preserve artifacts significant to American maritime, military and industrial history. The fully operational cutter may also be able to provide schools and other groups an educational and interactive venue for classes, field trips, youth overnight encampments and cooperative programs.

"The efforts of the State of Illinois were critical in making the *Acacia* project a reality. We're looking forward to establishing the Academy with this historic cutter as a permanent service where education, industry and community can interact."

Marty Hecker, *Vice President*
American Academy of Industry

Illinois first state to webcast surplus property auctions

In 2006 Illinois became the first state in the nation to extend its live on-site auctions of surplus property to online bidders. By enabling thousands more people to bid, the innovation positions the State to realize better returns on the sale of unneeded property. The first webcast auction drew Illinois bidders from Granite City to Carol Stream, who competed with people from New York to California - and one bidder as far away as Africa - to purchase the State's liquidated property online.

"The State is successfully using technology to make government more accessible to people throughout Illinois."

Lou Lang,
State Representative
(D- Skokie)

Innovative iBid website brings State more than $1 million

CMS has used innovative technology and hard work to significantly expand the market for the State's surplus property. The number of bidders, items sold and revenues on its iBid website have steadily grown since August 2003, when CMS launched the State's weekly online auction - often called the "eBay ™ of Illinois".

By auctioning property online, CMS expanded the potential bidder pool 100-fold, from about 120 mostly local people to more than 12,000 registered bidders around the world. The greater competition has helped maximize the return on investment for Illinois taxpayers - pushing the State's total revenues from iBid well over the $1 million milestone.

Through the weekly online auction at www.ibid.illinois.gov, which ends at 9 pm Central time every Friday, CMS has sold more than 4,000 items - everything from boats to bass guitars, cars to computers, tools to trucks, and from A (antiques) to Z (Zambonis).

Online auctions have reached the landmark of $1 million in sales

CMS delivers PCs to schools and truckloads of food to needy

CMS does much more than sell unneeded State property and obtain equipment for police agencies. The agency regularly donates surplus computers to schools, community organizations and boys and girls clubs, for example, and finds and distributes food supplies to needy people throughout Illinois.

In September, CMS delivered two truckloads of surplus food – including soup, nutrition bars, fruit juice and baby food – to the Central Illinois Foodbank. The bank distributed the windfall, originally purchased by FEMA for emergency supplies, to food pantries, soup kitchens and other aid groups that feed hungry people in more than 10 counties.

"In just 3 years the State of Illinois has raked in over $1 million by auctioning off pocket knives and many other items online.... Those proceeds go into the State treasury, earmarked for schools, health care and public safety."

Kevin Tibbles
NBC-TV Reporter
Today Show
October 18, 2006

"Despite our efforts, many of our neighbors are still at risk of going hungry. I commend CMS for this help and urge our neighbors throughout Central Illinois to join us by being a part of the solution to end hunger in our community."

Pam Molitoris, *Executive Director*
Central Illinois Foodbank

Tony Daniels, CMS Deputy Director, Bureau of Communication and Computer Services (right), received the Computerworld Honors Program Laureate medal in Washington, D.C., from IDG Communications President Bob Carrigan, in June 2006.

"Herculean" IT project wins international honor

Illinois joined an elite group of IT professional organizations in 2006 when it earned a Laureate Medal from the Computerworld Honors Program. The international honor was accorded to CMS for its success in maximizing the efficiency and capability of the State's telecommunications network.

In 2005, CMS completed the Herculean task of migrating 1,600 mission-critical data circuits to its upgraded communications backbone to provide superior service and new applications to dozens of State agencies, improve the productivity of the State's employees and potentially save millions of dollars a year.

Before the completion of "Project Hercules," State agencies routinely leased expensive private circuits to carry critical data – including police reports, traffic and road safety conditions, unemployment data and lottery results – with little coordination. CMS saw and seized an opportunity to consolidate all that crucial traffic onto one core backbone, the State-owned Illinois Century Network (ICN).

"[The State of Illinois has] joined an elite group of professionals in the history of IT."

Computerworld
Honors Program

"[M]any large enterprises will follow Illinois' lead by bringing network operations in house."

Jon Van
Chicago Tribune
January 2, 2006

The upgraded, high-speed network now carries all the data traffic that the State needs to operate on a daily basis – and also provides Internet access, email services, video-conferencing and other vital applications to more than 2 million citizens at nearly 8,000 constituent customers including schools, libraries, and hospitals across Illinois.

Progress in mammoth IT Rationalization project

It is by no means finished, but CMS Bureau of Communication and Computer Services has made progress in its multi-year effort to "rationalize" the State's IT infrastructure – to coordinate and streamline the myriad communications systems used by State agencies.

The IT consolidation initiative involves the consolidation of some 1,500 servers, 18 Data Centers, 500,000 data storage tapes, 55,000 desktop computers used by State employees, and 30 agency-specific IT Help Desks transferred to the CMS BCCS operation.

For example, CMS is working to reduce the number of disparate e-mail systems used by State agencies from 43 down to 3 and, eventually, to one unified system. This

CMS cuts prices for schools using State's IT network

Faster service at lower costs for 8,000 institutions statewide

An upgrade to the State's communications backbone – and an outreach program to assess users' needs – led CMS to provide higher speeds, more bandwidth and lower costs to nearly 8,000 schools, universities, libraries and other institutions statewide connected to the Illinois Century Network.

The move cuts prices by more than half in some cases. The fast speeds and greater bandwidth enable the 80% of Illinois schools plugged into the ICN to link their students to museums for online field trips and special projects, and lets colleges offer video classes over the Internet that students can take for credit towards a degree. Libraries can use the ICN to share resources, and rural hospitals can get instant access to specialized medical experts for burn victims and other emergencies by videoconference.

After conducting extensive outreach including surveys and focus groups of constituents in 2006, CMS found that many needed more bandwidth, which impeded their ability to achieve greater connectivity and growth. The agency upgraded the ICN with carrier-class routers, aggressively renegotiated contracts and increased bandwidth to accommodate increased traffic and enable next-generation applications.

The upgraded network offers Internet service that is thousands of times faster than dial-up and up to three times faster than most at-home services.

"We are very happy to have the increase in bandwidth and look forward to increased access to rich media instructional content from Illinois universities, libraries and museums."

Jim Flanagan
Director of Technology
Maine Township High School District #207

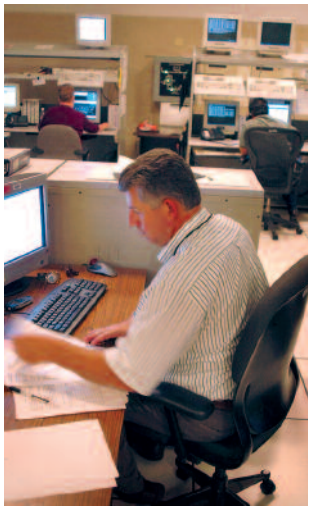
"The State of Illinois embarked on an ambitious process to improve the overall effectiveness of the state government. It will also provide for smoother communications among employees and more effective IT management."

Microsoft business white paper

also provides a single naming convention for all State e-mail accounts – firstname.lastname@illinois.gov (as opposed to the more than 100 email naming protocols that agencies used previously). The move is designed to produce greater operational efficiency by speeding communication to, from and between State employees.

A key part of the IT Rationalization involves migrating to a single, unified technology platform for personal computer operating software, using Microsoft Windows.

As Microsoft noted in a business white paper, "The State of Illinois embarked on an ambitious process to improve the overall effectiveness of the state government. In the IT realm, improving efficiency meant standardizing the state's three decentralized messaging systems and moving to a single desktop software solution to enhance user productivity and collaboration."



In 2006 CMS executed the State's first-ever "green" lease

"It's exciting that CMS is using its significant purchasing power to green its facilities. And by focusing on energy efficiency, the state could potentially reduce its energy budget for buildings."

Helen J. Kessler,
FAIA, LEED A.P.
Education Committee Chair
U.S. Green Building Council - Chicago

"The state is hoping the government's green lease will set the benchmark for the private sector."

Medill News Service
May 17, 2006

Illinois government going green – in more ways than one

The State of Illinois is going green. State government is leading the green building trend – by instituting a pilot program that will provide new, environmentally-friendly offices – and paving the way for Illinois homes and businesses to follow.

In 2006, the CMS property management team awarded its first-ever competitive bid for "green" office space – a lease whose landlord agrees to conform to green building practices which promote environmentally responsible construction and disposal methods and energy-efficient practices that reduce building energy use and costs.

CMS will manage a green lease for offices at 122 S. Michigan Ave. in Chicago for two State agencies. Under the pilot program, the space will be rehabbed using green practices – including properly disposing of construction materials, selecting energy-efficient lighting fixtures and using natural linoleum or other renewable or recycled materials for flooring and carpeting which are replenishable and do not release harmful chemicals.

Based on the pilot – the first green lease that the State has executed – CMS believes that conforming to green building construction and management processes may serve to reduce the overall cost of leasing property. CMS hopes the State government's first green lease will set the path for the private sector to follow, making office tenants and homeowners more familiar with green space and increasing the market for it.

Last winter CMS lowered the thermostat at thousands of State buildings and - according to the Energy Resources Center at the University of Illinois at Chicago - reduced its natural gas consumption by 2.2 million therms. The new policy cut carbon monoxide emissions by roughly 9.2 tons and nitrous oxide emissions by 11 tons, among other environmental impacts.

CMS is also building "green" requirements into contracts for office furniture, copiers and cleaning supplies: fully half of its cleaning vendors now use Green Seal-approved products in State buildings, and the other half will start doing so in 2007.

Illinois leads effort to recycle electronics

More than 90% of outmoded electronic equipment nationwide winds up in landfills or illegal dumps, risking toxic leaks that can pose health dangers. Now that will change – at least in Illinois.

This fall Illinois became the first state in the Midwest to begin recycling its government surplus computers, cell phones and other electronic equipment to prevent leaks of mercury, lead and other toxins into the environment.

Gov. Blagojevich issued an Executive Order requiring State agencies, boards and commissions to safely dispose of its "e-scrap" - and urged legislators to pass a law requiring that Illinois citizens recycle their old outmoded electronics, too. Now the State's electronics will be recycled – or refurbished and reused.

"It's literally a mounting problem. Our ability to manage this equipment is creating a growing health and environmental threat."

Ron Burke
Assistant Director
Illinois Environmental Protection Agency

State's record use of biofuel supports Illinois agriculture

CMS has become a major buyer of cleaner-burning, homegrown biofuels - acting on Gov. Blagojevich's directive to expand the State's use of E-85 ethanol and biodiesel in its cars and trucks.

Executive Order 7 (2004) encouraged State employees to choose biofuels and the state fleet purchasing experts at CMS to prioritize flexible fuel vehicles (FFVs) – which can run on gasoline or E-85 ethanol, produced from corn. More than 75% of the 700 cars added to the fleet since April 2004 have been FFVs.

And since April 2005 State drivers have fueled their vehicles with more than 1 million gallons of E-85 and biodiesel.

The record demand for E-85 in the State's fleet has helped make Illinois a national leader in the commercial availability of biofuels. DCEO used CMS fuel-use data to target State grants to gas station owners for converting their fuel pumps to E-85, and quintupled the number of Illinois gas stations selling E-85 in just two years, to 140.

Illinois is ranked 14th in the top 100 Alternative Fueled Fleets in the public and private sectors

Ford Motor Company

"Illinois was recognized with the NCSFA/Honda Environmental Leadership Award for their work in improving the use of all alternative fuels technologies, most especially ethanol, during the past several years."

Scott Madsen,
President
National Conference of State Fleet Administrators

"We're located in a rural area where work opportunities have been either limited or nonexistent. This contract provides 23 people with jobs involving skills ranging from simple boxing and order filling to machine operation and shipping."

Bob Lindberg
Executive Director
FAYCO Enterprises

"Illinois rest areas are the best in the nation thanks to the dedicated hard-working employees of the Sheltered Workshops."

Timothy Martin
Secretary
IDOT

Special pen marks milestone for State's support of disabled

The 10 millionth pen built by FAYCO Enterprises, a Vandalia-based state vendor that employs dozens of disabled individuals, was presented in 2006 to its best customer – the State of Illinois.

FAYCO is one of 63 qualified workshops now participating in the State Use Program run by CMS.

State Use workshops deliver services ranging from microfilming, printing and data entry to rest area maintenance to lawn care, carpet cleaning and laundry services. And they produce commodities ranging from signs and soap to pillows and clocks to license plates and laser printer cartridges.

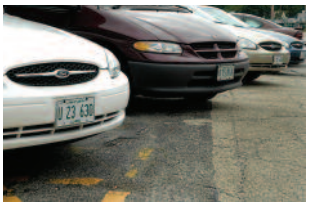
Over the past three years, CMS has transformed procurement into a statewide system – led by the CMS Bureau of Strategic Sourcing and Procurement or BOSSAP – and fully integrated the State Use Program into this structure. The arrangement enables the State's purchasing experts to better direct appropriate business opportunities to workshops and to ensure they are providing high-quality products and services at market prices.

Last year CMS awarded 222 State Use contracts worth more than $25 million. As a result, more than 1,900 disabled people who otherwise could not engage in standard competitive employment – especially in rural areas without suitable job opportunities – work to produce commodities and provide services that the State needs to operate.

And their work ethic is impressive. Sheltered Workshop employees provide janitorial services for the Illinois Department of Transportation (IDOT) at Interstate rest areas in Illinois. As IDOT noted recently, "As a result of their professionalism and dedication, our rest areas are now being considered to be some of the best in the country."

Also in 2006, CMS received the "Top Business" Award from Malcolm Eaton Enterprises, based in Freeport. Since December 2003, when CMS awarded it a toilet tissue contract, the workshop has distributed 140,000 cases of tissue and sold $1.2 million in paper.

Purchasing process improvements win national recognition



Efforts to improve the State's purchasing system continue to earn national recognition.

In June, CMS' work to create a coordinated statewide organization to manage the State's procurement process was featured by the national publication *Government Procurement Journal*. Entitled "Illinois Transforms Procurement and Saves", the cover story detailed how the innovative CMS Bureau of Strategic Sourcing and Procurement (BOSSAP) helps State agencies purchase the more than $10 billion of goods and services annually they need to operate.

"Illinois' Procurement Initiative has allowed the state to implement statewide policies and procedures, reduce prices paid for goods and services, eliminate duplication of back-office functions, and fund programs that are important to constituents – all in a transparent, accountable process."

Government Procurement Journal

June 2006

Bill Gates hails innovative procurement system

A creative private-sector approach that CMS introduced into its statewide purchasing network – a concept called Knowledge Management, or "KM" – has served to make government procurement more efficient and cost-effective. KM enables the State's purchasing experts to access better information before making procurement decisions – much like the way many people turn to *Consumer Reports* magazine or Internet resources before making a major purchase.

In most states – including Illinois, until recently – this vital information about products, market prices and vendor performance and capabilities has existed in random file cabinets, computer hard drives and experts' brains, but never in a universally accessible place – until now.

CMS built its own home-grown KM system and last year migrated it to the web, creating a cost-effective solution to a long-standing problem. KM has since been woven into the State's procurement network to enable purchasing experts to seize and recycle information to make better decisions.

This innovative approach was hailed as a model for other states to follow in 2006 at the Government Leaders Forum of the Americas conference in Washington, D.C., by Microsoft Chairman Bill Gates. Mr. Gates called the Illinois KM initiative: "A very simple system that's had a very dramatic benefit in making [procurement experts] more effective [and] having a learning culture where people are … working in a new way."

"A very simple system that's had a very dramatic benefit in making those people more effective and, of course, that means saving the State millions of dollars, and also having a learning culture where people are seeing how things are done, and working in a new way."

Bill Gates
Chairman
Microsoft Corporation

"CMS did a fabulous job. They were very cooperative, and we never had any connection problems during the exercise. I would love for them to go with us on future exercises."

Daniel Bonn,
Lead IT Field Support
Illinois Emergency Management Agency

State prepares for attacks, pandemics and emergencies

Responding to a terrorist attack, bird-flu pandemic or other emergency takes the concerted effort of a variety of first responders and government entities. It's vital that Illinois has the capability to set up satellite communications, for example, when conventional and cellular phone service has been disrupted or destroyed.

The State now has that capability – as evidenced last spring in an emergency response exercise held in Illinois. During the exercise CMS helped IEMA successfully deploy the mobile "nerve center" of tactical decision-makers known as the Unified Area Command (UAC) – for the first time ever in Illinois.

Even more impressive, CMS connected the UAC command team in the field to the State Emergency Operating Center (SEOC) in Springfield via satellite links in just 19 minutes. In a crisis, time is of the essence in responding effectively – so taking less than 20 minutes to set up satellite telephone, e-mail and Internet links that can turn a mobile trailer into a field version of the SEOC is crucial.

The State first "field tested" its ability to communicate via satellite after Hurricane Katrina, when CMS sent three emergency mobile command centers and more than 100 State employee volunteers to Louisiana to process evacuees for needed social services.

CMS provides many services critical to enable a coordinated and effective response in Illinois. For this exercise – a simultaneous terrorist attack and flu pandemic – the UAC included decision-makers from national, state and local government units. The CMS support team featured:

- Procurement officials to provide protective masks and other emergency equipment,
- IT and telecom experts to set up communications, and
- Vehicle fleet and facilities managers to coordinate the mobile satellite trailer and give critical information about the building affected by the mock terrorist attack.

Since the exercise, "Team CMS" has worked to enhance its capabilities and improve its equipment to help ensure that – even if the worst occurs – Illinois is prepared.

CMS helps Illinois recover from 2006 tornadoes and ice storms

When a devastating ice storm cut through 300 miles of Central Illinois in December – cutting off power, closing roads and shuttering schools – CMS people went to work.

At the peak of storm-related power outages on Friday, December 1, more than half a million homes and businesses in Illinois and Missouri lost power, some for as long as one week. But – thanks to concerted teamwork, quick thinking, and lots of cold, hard work in rough conditions – by the following Monday all State facilities were cleared, powered up and ready for staff – and open to serve as warming centers for the people of Illinois.

Vehicles staff provided fuel, worked with the Illinois Department of Transportation and the Illinois State Police to pull cars and trucks from ditches, and performed repairs to keep critical vehicles running – some mechanics worked without power, in freezing temperatures, to repair IDOT snow plows so they could keep roads clear.

Photo by Jonathan Kirshner, *State Journal-Register*

One team of CMS employees worked late into the storm's first night to dig out a truck literally frozen to the ground. They freed it, and then loaded it with 120 cots and 600 meals and drove it to help storm victims waiting in four shelters in St. Clair County.

Property Management staff drove through the storm to check on buildings, shovel snow, move furniture, and vacuum up icy water. The Facility Operations team – as they did when tornadoes and severe storms hit Illinois last spring – worked tirelessly to make sure locations were cleared, power was restored and buildings were operational.

The State's IT staff worked round the clock to keep life-safety critical systems running – sometimes moving them from powerless buildings to other 'up' locations – checking to ensure computer equipment was undamaged and carefully bringing it back online.

As a result, CMS managed to minimize the effects of the outage, open buildings, and ensure critical support systems were up and running. And their efforts touched lives - they enabled Gov. Blagojevich to open to the public 122 State buildings and provide shelter to people seeking refuge from the cold.

CMS staff often act as first responders to keep State government operating during emergencies.

"CMS mechanics were great - they worked long hours and kept the trucks running. If not for them, we would have had 4 to 5 routes without a plow to clear it. They were there whenever we needed them and for as long as we needed them."

Tom Korty
Emergency Services Manager
IDOT Division of Highways

"Reforms in shared services can work wonders and Illinois...has been a leader in the field."

Professor Jerry Mechling
Kennedy School of Government
Harvard University

"I found the Illinois conference to be extremely helpful and insightful! I came away with a significant amount of information, not to mention new and modified ideas, that I will either be putting on the table or putting into play right away here in New Mexico."

Michael Vinyard
Director State Purchasing
New Mexico

Harvard hails Illinois' progress at shared services conference

Illinois is sharing with other governments the lessons it has learned in its efforts so far to increase accountability, enhance transparency and improve efficiency by consolidating procurement, IT, fleet management and other administrative functions.

In April 2006, CMS Director Paul Campbell was asked to speak at a national conference on "Shared Services in the Public Sector" at Harvard University's Kennedy School of Government. Why was CMS invited? As Harvard Professor Jerry Mechling noted:

> "When you get back to basics on making government efficient and effective, you need to seriously take advantage of growing economies of scale in 'shared services' - the classic financial management, human resources, fleet management, and other often back-office functions that are too often haphazardly provided by each department operating on their own. Reforms in shared services can work wonders and Illinois, especially through the work of Director Paul Campbell and Central Management Services, has been a leader in the field."

During his presentation, Director Campbell discussed the challenges in introducing and implementing a shared services organization in a state government – and noted the efficiencies and financial savings Illinois achieved by consolidating administrative functions.

In March, CMS itself hosted a workshop sponsored by *Government Procurement Journal* called "Measuring and Sustaining Government Efficiency" – and shared with 14 state and local governments the lessons that Illinois learned its implementing efficiency initiatives.

Government Fleet magazine highlights CMS efforts

Over the past three years, CMS has worked to introduce private-sector efficiencies to procurement, IT and telecommunications and many other administrative services for State of Illinois agencies - acting on Gov. Blagojevich's instructions to run the business of government like a business. A cover profile in *Government Fleet* magazine noted that CMS efforts to manage the State's motor-vehicle fleet more effectively have worked to improve accountability and meet the Governor's order to spend tax dollars more wisely.

"Illinois fleet operations have become the model for government operations."

Government Fleet magazine
November 2006

SECTION II

Shared Services So Far

An analysis and update

In 2003, CMS began working to change the way we manage procurement, information technology and other administrative or "business" services in support of State agencies – taking as our compass bearing Gov. Blagojevich's instructions to "run the business of government like a business".

As of January 2007, the State of Illinois continues its progress towards becoming a leading shared services organization.

The Council of State Governments honored our shared services effort in late 2005 with its Innovations Award, but we recognize we have a long way to go. So as we approached the fourth year of this unprecedented efficiency effort, CMS asked two University of Chicago graduate students to conduct an independent assessment of the initiative so far, and to identify challenges and lessons that the agency's leadership can learn from as we work to complete it.

Last year's CMS Progress Report included an executive summary of the Deloitte report that validated more than $529 million in gross savings. This year we have included the U. of C. report, entitled "The State of Illinois Transformation: A view from inside," which follows.

The State of Illinois Transformation: A view from inside

By
Olena Verbenko & Ross Biank, University of Chicago Harris School of Public Policy

Our Methodology

18 executives with overarching responsibilities (chief financial officers, program managers, deputy directors etc.) who were or still are a part of the organization were interviewed. Consulting firms that were involved in helping plan and implement the transformation were contacted to provide an outside perspective. In addition, the internal organizational materials were reviewed.

The main topics covered in interviews includes: the rationale for beginning the transformation, the decision-making process, challenges, lessons learned and vision for the future.

Introduction

In 2003 the State of Illinois launched an unprecedented process to transform its administrative services. Led by the Department of Central Management Services (CMS), the State implemented processes and practices from the private sector to begin managing its business operations as a business would and, as a result, achieved savings of more than $529 million in just two years.

CMS has fundamentally changed the process by which it manages procurement, information technology and other administrative services in support of State agencies. While the early results are impressive, however, benchmarking of enterprise-wide transformations indicates that efforts of this magnitude require a process of seven years or longer to effectively implement and guarantee long-term change. As CMS Director Paul Campbell has recognized publicly, the effort is akin to building a house while living in it.

With this in mind, as CMS approached the fourth year of this unprecedented efficiency effort, the agency asked two graduate students from the University of Chicago Harris School of Public Policy to conduct an independent assessment of the State of Illinois transformation effort so far. CMS wanted the two students - one a PhD candidate and the other pursuing a master's degree - to identify key lessons and challenges that the agency's leadership can learn from and use in completing the ongoing, multi-year effort.

The two authors of this paper reviewed numerous documents, examined State of Illinois processes and interviewed 18 people, including current and former CMS executives and outside consultants, to identify the drivers, challenges and critical success factors of transforming a government into a businesslike organization.

The goal of the paper is to share findings of this research with other governmental and large public entities to help them streamline their own organizations using the lessons learned from the State of Illinois. This paper opens with an executive summary followed by a case study of the Illinois experience so far, and concludes with a discussion of the components necessary for a successful government transformation.

Challenge

In 2003, newly elected Governor of Illinois, Rod R. Blagojevich, faced a $5 billion annual deficit. The deficit had steadily increased between FY 1993 and FY 2003, and was expected to ratchet even higher due to a variety of pressures including the increasing number of retiring baby-boomers demanding more services and benefits. Decisive action was necessary if state government was to wage a successful fight to reduce the deficit in the face of an increased demand for services among its constituents.

> *"This governor is doing what no other Illinois governor has set up to do – get his arms around the cost of the government."*
> – Former Executive

Using Executive Orders, the Governor instructed Central Management Services (CMS) to start running the State's business operations the way a private sector business would, and save taxpayer money while improving the services of state government.

Solution: Running Government like a Business

CMS hired a group of private sector professionals and consulting firms to identify a route necessary to bring private-sector discipline to its public-sector mission. As the result, two primary directions were adopted – to eliminate inefficiencies in current processes and to implement a shared-services organizational model to administrative functions. CMS assumed responsibility for reducing spending on and improving the management of most of the core business functions of all government agencies.

Results: From Cost-Savings to Cultural Change

In two years (FY04 and FY05) CMS achieved more than $529 million in savings as it implemented the new Shared Services organizational structure and reduced inefficiencies in many administrative operations. As a result of the CMS-led efficiency initiatives, Governor Blagojevich was able to address the budget deficit while directing state spending to expand healthcare, support education and increase public safety.

While cost cutting was the initial rationale for bringing private sector practices into state government operations, the implementation also fueled the transformation of the state government's culture by introducing changed business processes, policies, organizational structure, personnel management and technology.

While cost cutting was the initial rationale for bringing private sector practices into state government operations, the implementation also fueled the transformation of the state government's culture by introducing changed business processes, policies, organizational structure, personnel management and technology.

The State of Illinois transformation was driven by the Governor's executive orders and a team of government and private sector professionals with help from a number of consulting firms.

The executive team faced a number of challenges in conducting a transformation process, establishing buy-in and ensuring continuous funding. The former and current management team shared their experiences and thoughts about what were the critical components in their success, as well as what factors posed a challenge and how these challenges were addressed.

Components of Government Transformation

1) Executive Mandate

Clear direction from the Governor cut through potential political and territorial issues. This crucial support overcame initial challenges and provided credibility to the initiative.

2) Pro-active Management

A change-management team composed of government experts and private sector professionals together with consulting teams became the driving force of the transformation. Experienced government professionals helped lead the transformation, provided insight on how things were run before, and also served as a vital source of getting buy-in from within the organization. Seasoned private sector professionals brought change management expertise as well as business experience, knowledge and discipline. Consulting firms generated ideas that fueled the transformation and developed plans to implement existing proposals.

3) Process

What to consolidate, when, and how? Constrained by a budget deficit and a short political cycle, the management team proceeded with the transformation at an unprecedented speed. Although the high speed of implementation enabled significant savings, important components of the change, such as effective communication with affected parties and sufficient funding, were initially overlooked.

4) Relationships

Motivating and encouraging employees to not only embrace but push for change was difficult. The management worked to develop employees' understanding of their value and role in the process, and to instill a sense of pride, ownership, and accomplishment to compensate for the lack of material incentives.

5) Funding

Since using budgeting processes to fund project-based transformation initiatives was not feasible, the management team developed alternative methods to fund its initiatives that entail long-term savings.

Challenge

The first Democratic governor in 26 years, Rod Blagojevich faced a $5 billion annual budget deficit in FY 2004 that represented 10% of the total State budget. From FY 93 to FY 03 the Illinois deficit grew at more than twice the rate of inflation. Student aid was low for most of the period. The number of working parents with private health insurance shrank each year. Pension payments were under-funded by at least $810 million annually.

In addition, the pending retirement of Baby Boomers contributed to the funding pressure. Aside from State pensions, baby-boomers also demanded more services, public goods and social protection.

Conventional methods of dealing with budget deficits, such as raising taxes or decreasing the number or quality of services provided, were not feasible or acceptable. The government had to find a way to do more with less.

> *"State government was like a family of four having four cars and four separate cell phone plans instead of sharing one car and one cell phone plan."*
> – Former Executive

Solution: Running Government like a Business

To do more with less required unconventional methods of running government operations. The Governor decided to reduce the cost of government – by running it like a business.

The Governor asked the Department of Central Management Services, the administrative services arm, to find ways to decrease the total cost of government. Serving 66 state government agencies, Central Management Services (CMS) was given the responsibility of overseeing the annual purchase of approximately $12 billion in goods and services for State government agencies; administering a fleet of 13,600 vehicles; managing approximately 60 million square feet of facilities owned or leased by the State; managing the State's information technology and telecommunications systems; serving as a personnel department for more than 66,000 employees and administering benefits for approximately 400,000 retirees, employees and their dependents; and conducting internal audits at and providing legal and public information services to all State agencies.

> *Two Ideas to Change Government into Business-Like Organization:*
>
> - *Reduce Inefficiencies*
> - *Implement Shared Services*

To accomplish its mission, the newly appointed CMS executives selected and brought in a new team of government professionals and private sector experts. The new management conducted meetings with major consulting firms to generate ideas on what a government could do to transform itself into a more business-like organization.

Two main ideas emerged: reduce inefficiencies and implement a Shared Services concept. CMS took a closer look at each agency's spending categories to identify and eliminate inefficiencies. As a result, for example, federal reimbursement was enhanced, significant costs savings were realized from strategic sourcing and leveraging federal programs, and unnecessary capital depreciation expenses – like owning a fleet of cars and maintaining obsolete equipment – were eradicated, or sold at auction to bring in additional revenue.

The second step was to implement the Shared Services concept. Used in the private sector for decades, the Shared Services concept offered a possibility of 1) reducing the total cost of running a government, 2) focusing agencies' operational leaders on their core accountabilities, functions and missions, and 3) increasing the professional capacity of human resources.

CMS
SHARED - SERVICES

What exactly is Shared Services?

The main idea behind Shared Services is that a single entity runs core business functions for government agencies such as procurement, telecommunications, facilities management, legal services and internal audit, allowing other agencies to concentrate on their core responsibilities and missions. A Shared Services entity takes advantage of economies of scale as well as economies of skill.

A Shared Services center combines advantages of centralized and decentralized systems. Like a centralized system, Shared Services can achieve economies of scale by creating a single purchasing contract on desktop computers, temporary services or computer software for all state agencies. Unlike a centralized system, Shared Services offers customized solutions to all of its customer agencies through service-level agreements (SLAs). Thus, Shared Services can help a government achieve two objectives: decrease costs associated with running the government and increase the value of services to its stakeholders.

Shared Services can be organized in a number of ways. In particular, shared services can be centralized or center-led, in order to incorporate governance, accountability and visibility into the process.

Centralized shared services *model brings people who are specialists in a particular field to a centralized location. Here specialists in a particular field can concentrate on a particular aspect of their work, share knowledge with counterparts, and work on behalf of multiple agencies.*

A center-led shared services *organization does not bring people from agencies to a centralized location. Instead, a Shared Services center sets up a network of professionals in which each agency has its own staff in the field, i.e. procurement or media services, who have expertise in his or her agency and are dedicated to ensure services for that agency only. A Shared Services Center provides these in-field personnel with guidance and support, and creates processes, guidelines, forms and "how to's".*

The Illinois Department of Central Management Services implemented multiple initiatives to build out its Shared Services organization structure, using a centralized model, a center-led strategy, or sometimes both. Those initiatives involved core business functions including:

- Procurement
- Information technology
- Facilities
- Fleet/vehicles
- Internal audit
- Legal services
- Public communications

"People who have the same profession are now in one place where they can learn skills that one may have and another may not have. They can develop professionally – just being able to share projects. Everybody may be at different skill levels, but everybody has a good amount of experience to share."
– Current Executive

The projects that sprang from these initiatives were wide and varied in their scope and impact. The Bureau of Strategic Sourcing and Procurement (BOSSAP) built a state-wide purchasing network and implemented a Knowledge Management system. The Bureau of Internal Audit implemented a Risk-Based Assessment model. The Bureau of Property Management launched a survey of every State-owned and -leased space and also developed a model for space appropriation, use and management. BOSSAP renegotiated the contract with the vendor that provides the State with emission-testing services, and also coordinated with its client agencies to advocate the use of new, cleaner-burning biofuels derived from domestically produced crops.

CMS executives proceeded with the transformation at an unprecedented pace. The decision was to initiate the consolidation of the business functions (e.g., procurement, information technology, facilities, fleet/vehicles, internal audit, legal services, and public communications) within a year, although a transformation effort involving so many major initiatives can easily take seven years or longer to complete. The initiatives were to be funded through Efficiency Initiatives Revolving Funds (EIRF) which were created using cash from available funds and agencies' budgets. The Governor's executive orders informed agencies about the transformation and directed them to collaborate with CMS.

Transformation Derivatives

- *Knowledge Management System in Procurement*
- *Risk-based Assessment in Internal Audit*
- *Master Database of State-owned and -leased space*
- *Master contract for cleaner-burning biofuels*

Within a year most of the initiatives were launched and many individual projects were completed. However, the time-line for most of the initiatives had to be revised. Some initial plans had to be altered due to their incompatibility with State agency missions. A few projects were put on hold or delayed because of insufficient staff resources or funds.

However, despite many challenges, in just two years the State of Illinois achieved significant savings and laid the groundwork for further organizational changes.

Results: The Road from Cost-Savings to Cultural Change

In the fall of 2005, two years after the beginning of the transformation, Deloitte Consulting conducted an independent review of more than 100 individual projects CMS implemented under Gov. Blagojevich's mandate to improve government operations and reduce overall costs. The independent, external review validated that CMS achieved $529 million in gross savings – through its efforts in FY04 and FY05 alone – as it reduced waste, implemented new technologies and rethought many of the administrative operations of the state. The complete Deloitte savings validation report is available online at www.cms.il.gov.

The review confirmed that the savings were achieved using the following methods:

INITIATIVE	METHODS	SAVINGS (MILLIONS)
Procurement, Healthcare and Employee Benefits	Renegotiated contracts with many vendors to lower overall costs; improved purchasing process to better evaluate cost/benefit of purchases; reduced costs through new employee benefits plan; increased federal government reimbursements	$216.905
Information Technology and Telecommunications	Reduced number of outside contractors; renegotiated contractor rates; reorganized and reduced headcount of IT workforce; controlled costs of new IT purchases; renegotiated cell phone rates	$210.930
Facilities Management, Internal Audit and Legal	Reduced need for outside legal counsel and other consultants while reducing overall headcount; achieved efficiencies with new software	$ 82.707
Fleet Management	Reduced state fleet by 1,600 vehicles; sold unneeded cars and trucks; lowered fuel and maintenance costs due to reduced fleet size; carefully review the need for new vehicles	$ 17.136
Media Services	Reduced overall headcount; introduced technologies to improve operations	$ 1.871
Total Savings (FY04 and FY05)		$529.549

As a result of the CMS-led efficiency initiatives, Governor Blagojevich was able to reduce the budget deficit while directing state spending to expand healthcare, support education and increase public safety.

While improving efficiency was the initial rationale for implementing the shared services concept, adopting shared services started a dramatic, long-term transformation of culture through changed business processes, policies, organizational structure, personnel management and technology.

These changes serve to break down traditional silo thinking. In Illinois, agencies have begun to work more collaboratively with CMS, with the Office of Management and Budget, and most importantly, with each other. People inside an agency realize that they are owners of the organization and that each of them is responsible for executing a part of a bigger plan, larger than their individual agency's mission.

The creation of a statewide purchasing network and the implementation of a Knowledge Management system added a creative element to the tasks of the Bureau of Strategic Sourcing and Procurement' personnel.

Risk-based assessment in the internal audit division changed how internal audit personnel prioritized their responsibilities by concentrating on the most important projects.

Valuable input from the CMS Division of Vehicles brought about environmentally conscious changes.

The Bureau of Property Management developed an accurate listing of the State's leased and owned real estate portfolio. Although the Bureau is still a long way from realizing its full potential of cost-savings, it completed the critical first step, enabling an assessment of existing facilities conditions and a calculation of the State's total cost of occupancy.

At this time, CMS continues to work on completing this enterprise-wide cultural shift, as is to be expected for an effort that generally takes seven years or longer.

Components of Government Transformation

Five components were essential in the State of Illinois transformation. An executive mandate from the Governor's Office together with a proactive management team became the driving force of the transformation. Implementation process choices, relationships with agencies and funding were among the challenges handled by the executive team.

> *"The way we were able to accomplish [the change] is by having unquestionable endorsement and support from the Governor's office. The Governor's office provided the shielding we needed and supported us the entire way throughout the transformation."*
> – Former Executive

1. Executive mandate helped bypass politics and territorial issues. The Governor's mandate helped to overcome initial resistance and provided credibility that fostered commitment at all levels. Mandating shared services at the top levels of the government helped sweep aside territorial disagreements and enabled the initial momentum to gain traction.

2. Proactive management team

The State of Illinois benefited immensely from getting a team of government and private sector experts together with consulting professionals to guide its unprecedented transformation. There were benefits and costs associated with hiring people from the public and private sectors. There was the challenge of synchronizing and coordinating the efforts of these three groups in running the transformation processes. However, the benefits realized were profound and worthwhile.

Government experts vs. private sector professionals

Government experts provided in-depth knowledge of internal processes and helped prioritize relationships within the state government structure. Throughout the transformation, in-house experts served as agents to get a buy-in from those within the organization and many times took charge and actively led certain initiatives using their knowledge and relationships.

However, relying exclusively on in-house expertise to conduct a grand scale transformation might not have been possible. Some of the government experts were reluctant to accept the change because with new ways of running government their old expertise lost value. Some were also weighted by an unwillingness to jeopardize their relationships with colleagues within government who resisted the change.

> *"Private sector professionals come and work for government because they believe that government has hope and believe that the only way that things get better is if they take an active role in their government."*
> – Former Executive

Private-sector professionals brought the science of change management as well as business principles such as Total Cost of Ownership, Knowledge Management and new models of Cost-Benefit Analysis. These specialists were used to working in constantly changing environments, leading transformation projects, and dealing with the obstacles posed by the change process. They were also not weighted down by previous public-sector experience or relationships, and their political neutrality helped them make bold decisions.

Tip: How to attract seasoned private-sector professionals

In hiring high-caliber experts from the private sector the executive team relied on the belief that some talented private sector professionals would be willing to interrupt their private-sector career for a "chapter" in the public sector. Some might be interested in public service and could be looking forward to making a difference by becoming a part of a grand-scale unprecedented government transformation. Others could be drawn by a change-management challenge and eagerness to gain large-scale operational experience at a level beyond their immediate reach in the business world at this stage in their careers.

Most of these professionals were hired through the executive team's personal, educational and professional connections. Some were found at unconventional networking events such as business and professional association meetings and outplacement seminars.

On the other hand, private-sector professionals had a limited understanding of how much more challenging it may be to conduct changes within a state government than it is in private businesses. They did not understand that in certain respects conducting a transformation in the public and private sectors are similar, i.e. people resist change and prefer the status quo, while in other respects, the change process in government is more complex. In government one needs to deal with the absence of an incentive structure to motivate people financially, limited control over budget and hiring, accountability to many stakeholders, and alignment around competing and often changing goals and objectives.

Government Specific Transformation Challenges

- *Absence of incentive structure*
- *Limited control over budget and hiring*
- *Accountability to many stakeholders*
- *Alignment around competing and changing objectives*

By creating a management team composed of government and private-sector specialists, CMS captured benefits of both groups, helped them learn from each other, and then synergized and leveraged each group's knowledge and skills.

Consulting Firms

Where do consulting firms fit? Consulting firms brought the short-term influx of a highly qualified labor force and the expertise of finding creative solutions to unique problems. These firms had knowledge of multiple sectors and had worked with large and small organizations in both the private and public sectors. Having constantly changing problems and multiple clients allowed them to develop the skill of finding unique customized solutions for each issue. In the Illinois effort, consultants were the fuel that generated new ideas and developed practical ways to implement existing proposals.

"I think two of the most important benefits of hiring consulting firms were: 1) consultants became catalysts of moving in the right direction, and 2) they helped us find and capture 'low hanging fruit' quickly."
– Current Executive

Selecting and working with consulting firms can sometimes be inefficient. Governments often do not take full advantage of the creativity and knowledge of private-sector best practices that consulting firms offer.

Working with 9 different consulting firms over the course of the first two years of the transformation, Illinois government executives developed a strategy for maximizing benefits of working with consulting firms. Government can maximize its benefits by eliciting consulting firm creativity, selecting proposals using cost-benefit analysis and performance guarantees, finding the right cultural fit, and aggressively negotiating terms and rates of contracts. Further, a government organization should pair consultants with best in-house talents to ensure the effective exchange of information and knowledge transfer, sharing risks and responsibility for final results, monitoring performance according to deliverables, and developing mutually beneficial partnerships.

Advantages of Working With Consulting Firms

- *Talented and creative people. Short term influx of highly qualified labor-force*
- *Significant expertise in various areas*
- *Similar experience with other private and public organizations*
- *Flexibility in finding and bringing in human resources as the need arises*
- *Think-tank expertise with research of best practices, best processes, best procedures*

BEFORE → **DURING**

BEFORE

- Write effective RFP – state your problem, let the consulting agency define goals and solution paths
- Conduct cost-benefit analysis of proposals
- Decide on single vs. multiple consulting firms
- Find the right cultural fit
- Negotiate rates and terms

DURING

- Pair consultants with best in-house talents to ensure effective exchange of information and knowledge transfer
- Share risks to get more engaged consultants
- Concentrate on building own infrastructure and human resource base
- Require consulting firms to generate documentation and training materials
- Monitor according to pre-defined timeline and deliverables

3. Procedures: Virtues and Vices of Speed

The State of Illinois management team proceeded with the transformation at an unprecedented speed, launching all the efficiency initiatives in a single year. In addition, the management team developed and put in place new processes and policies and an organizational structure to implement shared services enterprise-wide.

"We typically had a velocity that you would find in a Fortune 100 company as it related to taking concept to planning and implementation."
– Former Executive

Fast implementation helped reduce natural resistance to changing how employees do their jobs without allowing time for roadblocks and barriers to build. The management team did not get stuck on "analysis paralysis" and consequently helped save significant resources, both in terms of time and dollar amounts. The results were demonstrated fairly quickly and the transformation gained acceptance and support from the higher authorities.

"The slower you go, the more time there is for that roadblock barrier to build. You want to pass through before there is enough time for those barriers to build."
– Consultant

Implementing the shared services concept quickly, however, the management team initially overlooked two important components of the transformation process – consistent communication with parties affected by the transformation and sufficient continuous funding necessary to ensure the new organizational structure operates to its full potential.

4. Relationship with Agencies

Changing the organizational structure and putting new processes and policies in place were the first steps towards implementing a shared services concept to achieve long-term efficiencies in government operations. For the concept to start operating to its full potential, however, the management team had to also ensure commitment of all agencies and their employees by instilling a long-run vision.

"Even if you do implementation fast, you still need strategic planning and procedures in place."
– Former Executive

Lack of understanding and lack of incentives led to initial resistance to the change.

Initial lack of communication with the agencies directly involved in the transformation effort (and with groups of employees within those agencies) led to resistance at the employee-level. Employees resisted the change for reasons that usually fell into one of two categories: lack of understanding or lack of incentives. Some employees did not understand the reasons for the change or they did not realize the benefits to them individually. Lack of understanding induced employees to believe that with an election and the potential for another government coming in a few years, their job duties would go back to what they had been before. Other employees knew that if they decided not to cooperate, they ran little risk, pursuant to the collective bargaining agreement, of incurring immediate penalties.

"Every time you are changing how the people do their work, there is going to be a natural resistance. That's how we are as people."
– Consultant

Developing understanding

Before the transformation started, CMS could have better nurtured an understanding of the value of the transformation for the government and the people of Illinois, as well as to each individual government employee; however, this approach would have taken significant monetary and more time resources. The management team could have devoted time to communicate to agencies about all the changes that were to come as well as to include agencies and their employees more directly in the planning process.

By communicating with agencies, CMS would have helped agencies' employees comprehend the reasons for the transformation, realize the benefits and internalize the larger perspective of the change. By making a group of agencies a greater part of the planning process, the management team would have furthered acceptance at later stages. The agencies' employees would have thought of transformation as something accomplished together with them rather than forced upon them.

"I think if there were better communication and more focus groups, and trying to include some good representative agencies into the decision making and policy setting, it would help."
– Current Executive

However, the upfront communication and involvement processes would have required a substantial time commitment and would have restrained the extent and the pace at which the transformation plans could be accomplished. Given the pressing fiscal crisis, the management team could afford neither to lose time nor to spend additional resources.

"In the political reality, sometimes you've got to pull the trigger, and let people figure out the details later."
– Former Executive

The management team at the State of Illinois launched the transformation relying primarily on executive orders from the Governor's office. As soon as the new organizational structure was in place, and new processes and policies were developed, CMS began an extensive communication campaign towards agencies and employees.

The management team met with groups of people affected by the procurement transformation, for example, and explained the short- and long-term benefits to the organization, as well as the benefit to each individual employee.

"You motivate everyone who wants to be motivated. When you get 85% of the people motivated and fired up and moving in one direction, the people that don't oftentimes will be dragged along, just by sheer force of momentum of the rest of the team."
– Former Executive

The strategic communications division with CMS was created to ensure that constant and continuous communication takes place. The function is responsible for disseminating success stories of shared-services initiatives, organizational teams and individual employees. The group is also responsible for delivering news from the top management directly to State employees.

Building in motivation techniques

The change-management team approached the issue of the lack of material incentives and the absence of punishment with creativity. The team worked to motivate its employees by instilling a sense of pride, ownership, and accomplishment to encourage employees not only to embrace the change but to actively participate in the process.

5. Funding

Initial and continuous funding is needed to ensure that a transformation gets started and becomes fully implemented. However, since state governments are funded using agency-specific budgeting principles, securing funding for an enterprise-wide project such as this can become a challenge.

"The Efficiency Initiatives Revolving Fund was established as a mechanism to go out and get cash from other funds and agencies to fund projects that might be required in the initiatives."
– Current Executive

The management team organized the initial funding of the transformation using the Efficiency Initiatives Revolving Fund (EIRF) where each agency was required to contribute from its funds based on projected savings and efficiencies to be incurred in the transformation. This fund was primarily used to pay for hiring the outside expertise.

Additional methods of funding had to be developed as the EIRF was exhausted and the initiatives moved from "cutting waste" stage to "implementing shared-services" stage. Many of the shared-services initiatives required significant investments in technologies and human capital both upfront and on an ongoing or "rolling" basis. To ensure necessary funding of these initiatives, the management team developed a charge back system, established individual initiatives' revolving funds, and created its independent fund/budget.

Conclusion

The early results of the State of Illinois transformation indicate that it is possible to improve the efficiency of government operations and align them according to the best private-sector practices. The room for improvement in the public sector is significant and well worth undertaking the effort.

It is challenging to orchestrate change within a government organization due to its organizational structure and operations, and because of the lack of private-sector incentives to motivate change. The rigidity of culture and structure, however, assures that when new policies, procedures and practices are successfully put in place – the change will be sustained.

The State of Illinois Transformation: A view from inside

By
Olena Verbenko & Ross Biank,
University of Chicago Harris School of Public Policy

"Our hope is that other states will be inspired by Illinois' success to pursue similar initiatives of their own."

Michael H. McCabe
Regional Director,
The Council of State Governments

CMS looking ahead

Working to extend our progress into more cost-effective operations

The State has made significant progress in its groundbreaking change management initiative, as this University of Chicago graduate study points out.

This U. of C. white paper takes CMS through the summer of 2006. It necessarily looks backward at the past. We are focused on learning from our experience so far and applying that hard-won knowledge to further the State's ongoing efforts to drive savings, build efficiencies and become more cost-effective. While CMS is working to complete the transformation it has led, the agency is also currently supporting the Shared Services initiative led by the Governor's Office of Management and Budget to provide systems to provide fiscal and human resources services statewide.

Cost effectiveness is perhaps at the heart of the concept of running the business of government like a business: providing customer services efficiently and effectively helps private enterprises meet their financial targets and maximize performance for shareholders. In the public sector, governments provide services to citizens while being accountable to taxpayers to do so cost-effectively.

So, for CMS, being cost effective means meeting Governor Blagojevich's mandate to "do more with less" – to further the Governor's efforts to eliminate wasteful spending and enable the State to redirect savings to invest in education, health care and public safety initiatives that directly impact and improve people's lives.

Among our more recent initiatives aimed to increase efficiency, cut costs and work more cost-effectively are:

- Building energy conservation – We took the common-sense step of lowering the thermostat in thousands of State buildings in wintertime, which saved an estimated $4.8 million last winter, according to the University of Illinois at Chicago Energy Resources Center.
- Project Hercules - The State stopped paying about $7 million a year for a private leased network when CMS migrated agencies' data traffic to the State-owned IT backbone, the Illinois Century Network.
- Desktop computer software – CMS negotiated a statewide Enterprise Agreement for Microsoft Outlook, which is expected to save about $2 million per year for five years, for an estimated total savings of $10 million.

"Illinois' Shared Services model stood out as an outstanding example of a successful effort to save taxpayer dollars at a time when many of our states are facing significant budgetary challenges. But [we were] equally impressed with the program's emphasis on efficiency, accountability and effective 'customer service.'"

Michael H. McCabe
Regional Director
The Council of State Governments

In addition, CMS continues to search for private-sector practices that we can use to improve our performance and run the State's business functions more efficiently and effectively.

One promising private-sector tool is the Activity-Based Cost Management pilot project in our statewide purchasing system led by the Bureau of Strategic Sourcing and Procurement. Illinois is one of the first states in the nation to employ the tool to use Activity-Based Costing principles to develop baseline costs, specific improvement targets and long-term efficiency objectives for government procurement activities.

We anticipate that the agency-wide initiative will help CMS leadership evaluate the efficiency of our operations, effectively manage the costs of delivering agency programs, and develop strategies for addressing resource limitations while continuously improving our services.

All in all, as you can see from this 2006 Progress Report, the State of Illinois has made great strides in efficiency, cost-effectiveness, accountability and transparency in the past four years. But those of us at CMS recognize we still have a long way to go to truly run the business of government like a business.

Our research on change management efforts indicated that it is not unusual to under-communicate by a factor of 10. However, we are working to change that – by reaching out to the members of the Illinois General Assembly with regular updates, to State employees and agencies via internal meetings and computer-based communications, and to the public through the news media – as well as reports like this one, and more.

We acknowledge our limitations, yet we remain encouraged by our progress so far as we continue to search for innovative ideas that can help us reach our destination.

NGA Center for BEST PRACTICES

The National Governors Association recognized the efficiency efforts led by CMS as a best practice in 2006. The NGA Center for Best Practices analysis is regarded as an honor since the mission of the Center – the nation's only dedicated consulting firm for governors and their key policy staff – is to recognize, develop and implement innovative solutions to states' ongoing public policy challenges.

SECTION III

Financials and Organization

January 2007

MESSAGE FROM THE 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).

In May 2006, I accepted the position of CMS Chief Financial Officer. I am accountable for managing the financial activities and financial reporting for CMS operations and programs. My responsibilities include ensuring that financial statements are reported fairly and accurately, developing and monitoring CMS budgets and spending, and providing guidance and oversight for 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, 2005. For the Fiscal Year 2005, external auditors issued an unqualified opinion, meaning that they have examined our financial records and believe that we have fairly represented all material aspects of our financial position for the reported period. The following pages contain CMS' Fiscal Year 2005 Statement of Net Assets and Statement of Activities.

As a result of furthering our implementation of the shared-services model, the fiscal responsibilities of CMS have increased, and in turn, the Department has invested in new resources as well as reallocated existing resources. In the following pages we have provided several tables illustrating these changes, along with historical data for comparison. We have also included a concise overview of CMS' structure and operations in an effort to provide additional accountability and transparency, and we offer practical contact information for each function.

The CMS Office of Finance and Management continues to provide financial management services for all of CMS and serves a customer base of 113 state agencies, 1,100 local and federal government entities and more than 150 non-governmental customers. During Fiscal Year 2005 and through Fiscal Year 2006, this Office has continued to address the many management and fiscal challenges in support of the statewide functional consolidations of Internal Audit, selected Legal Services, Facilities Management, Information Technology Infrastructure, Workers' Compensation, and Media Relations. The staff in the Office of Finance and Management has met these additional responsibilities admirably, while maintaining exceptional professional standards in their conduct and work.

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.

Paul Romiti

OVERVIEW OF FINANCIAL STATEMENTS

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

June 30, 2005

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 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, 2005 (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					
General Government	2,051,415	845,668	(1,205,747)	-	(1,205,747)
Interest	405	-	(405)	-	(405)
Total governmental activities	$2,051,820	$845,668	($1,206,152)	-	($1,206.152)
Business activities					
Insurance programs	379,752	376,730		3,022	3,022
Total business activities	$2,431,572	$1,222,398			$1,209,174
Total Primary Government	**$2,431,572**	**$1,222,398**			**(1,209,174)**
General revenues					
Appropriations from state resources			1,105,759	-	1,105,759
Lapsed appropriations			(1,326)	-	(1,326)
Receipts collected and transmitted to the State Treasury			(5,074)	-	(5,074)
Interest and investment income			1,983	2,056	4,039
Other revenues			6,901	-	6,901
Capital transfers from other state agencies			18,497	-	18,497
Amount of SAMS transfer-in			(15,241)	-	(15,241)
Transfers-in			30,579		30,579
Transfers-out			(39,296)	(2,000)	(41,296)
Transfer of state workers' compensation liability			(87,437)		(87,437)
Transfer of adminstration of funds to other state agencies			(7,634)		(7,634)
Total general revenues and transfers			**($1,007,711**	**($56)**	**($1,007,767)**
Change in net assets			198,441	2,966	201,407
Net assets, July 1, 2004			$205,374	$55,007	$260,381
Net assets, July 1, 2005			$6,933	$52,041	$58,974

Statement of Net Assets

For the Year Ended June 30, 2005 (Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Unexpended appropriations	6,157	-	6,157
Cash equity with the State Treasurer	144,772	75,877	190,649
Cash and cash equivalents	32,503	10,648	43,151
Investments	4,082	-	4,082
Receivables, net:			
Intergovernmental	527	103	630
other	8,714	9,886	18,600
Unrestricted internal balances	15	(15)	-
Due from other Department fiduciary funds	44	-	44
Due from other state funds	82,028	272	82,300
Due from State of Illinois component units	12,577	-	12,577
Inventories	1,767	-	1,767
Prepaid expenses	900	-	900
Capital assets not being depreciated	36,735	-	36,735
Capital assets being depreciated, net	251,903	-	251,903
Total assets	**552,724**	**96,771**	**649,495**
LIABILITIES			
Accounts payable and accrued liabilities	300,860	44,619	345,479
Intergovernmental payables	1,887	-	1,887
Due to department fiduciary funds	318	-	318
Due to other state fiduciary funds	244	-	244
Due to other state funds	98	-	98
Due to State of Illinois component units	687	-	687
Long term obligations			
Due within one year	78,511	2	78,513
Due subsequent to one year	163,186	109	163,295
Total liabilities	**545,791**	**44,730**	**590,521**
NET ASSETS			
Invested in capital assets, net of related debt	236,169	-	236,169
Restricted for:			
Debt services	9,045	-	9,045
Unrestricted (deficits)	(238,281)	52,041	(186,240)
Total net assets	**6,933**	**52,041**	**58,975**

CENTRAL MANAGEMENT SERVICES
DIRECTOR'S OFFICE

Director
Paul J. Campbell
217-782-2141

Acting
Assistant Director
Shonda Morrow
312-814-2141

Acting
Assistant Director
Maureen O'Donnell
312-814-2141

Chief Operating Officer
Marcia Armstrong
217-782-2141

General Counsel
Debra Matlock
312-814-2322

Deputy Chief
Operating Officer
Theresa Larkin
312-814-3133

Deputy Chief
Operating Officer
VACANT

Deputy Chief
Operating Officer
VACANT

Deputy Director
Strategic
Communications
Geoff Potter
312-814-0906

Equal Opportunity
Officer
Fred V. Stewart II
217-558-6713

State Purchasing
Officer
Tom Sestak
217-558-2586

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

Deputy Director
Bureau of
Information Services
VACANT

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

Deputy Director
Bureau of Property
Management
Bob Schaaf
217-785-0562

Deputy Director
Governmental Affairs
Melissa Hansen
217-785-1941

Deputy Director
Bureau of Benefits
Janice Bonneville
217-785-8675

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

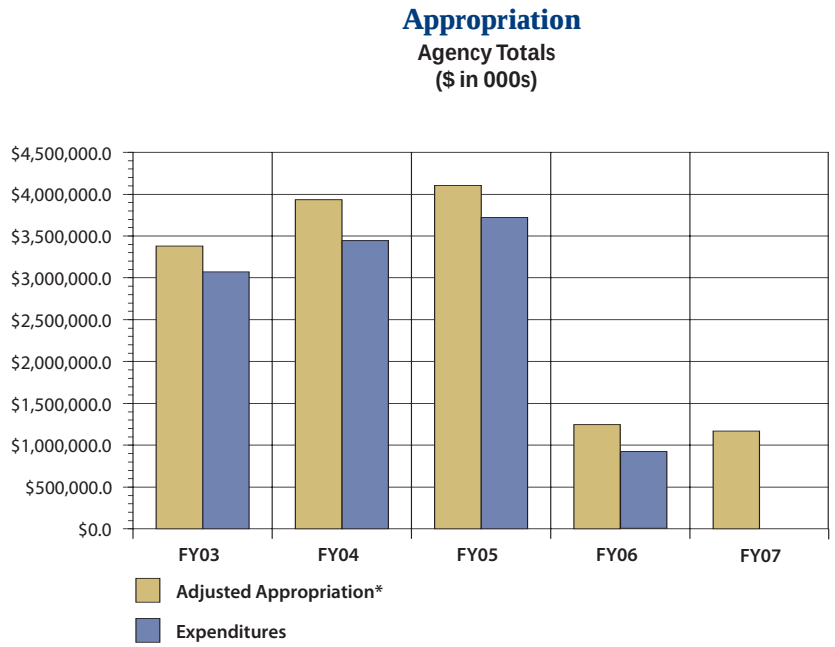
Deputy Director
Business Enterprise
Program
Natalie Pedraza
312-814-1282

Acting
Chief Internal Auditor
Office of Internal Audits
Carol A. Kraus
217-782-1925

Chief Financial Officer
Officer of Finance
& Management
Paul Romiti
217-524-5321

Central Management Services

Agency Dedicated Resources:



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

Changes in CMS appropriation levels over the past several years are a culmination of many factors, including: rate adjustments; budgetary constraints; consolidation efforts; organizational restructuring; operational necessity. At the aggregate level for the agency it is clear to see consistent downward trending for appropriations. CMS is committed to finding alternative ways to conduct business so that tax dollars are used prudently while we maintain and improve service levels.

Headcount

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Agency Funded Headcount	1329	2029	2153	1953

The totals above represent funded headcount at the end of each Fiscal Year and projected headcount for the end of Fiscal Year 2007. Many factors have contributed to the net changes in headcount levels for the agency. The major increase was directly related to the consolidations, while the recent decrease reflects budgetary constraints and operational adjustments.

The table below summarizes both legacy CMS staff and staff brought in through the consolidations, adjusted to current (FY 2007 projected) funded levels. Agency funded headcount levels are expected to remain stable moving forward.

	Consolidated Staff	Legacy Staff	FY07 Total
Headcount Totals:	**775**	**1178**	**1953**
Illinois Office of Internal Audits	80	0	80
Information Technology Consolidation	396	321	717
Legal Consolidation	14	0	14
Public Information Officer Consolidation	30	0	30
Graphic Designer Consolidation	13	0	13
Facilities Management Consolidation	220	113	333
Workers' Compensation Consolidation	15	12	27
Security Consolidation to ISP	-38	0	-38
Illinois Century Network	63	0	63
Health Insurance Contracing Consolidation to DHFS	-18	76	58
Other CMS Regular Operations	0	656	656

- The Department provides a variety of centralized services under a shared-services model for the operation of state government.
- CMS 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.
- CMS 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.
- CMS transferred out security services and the procurement of health insurance to agencies where these functions were more suited to their core mission.

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
Benefits Healthcare Procurement	Governor's Executive Order 2005-3

CMS Bureau Responsibilities

Bureau of Administrative Operations

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

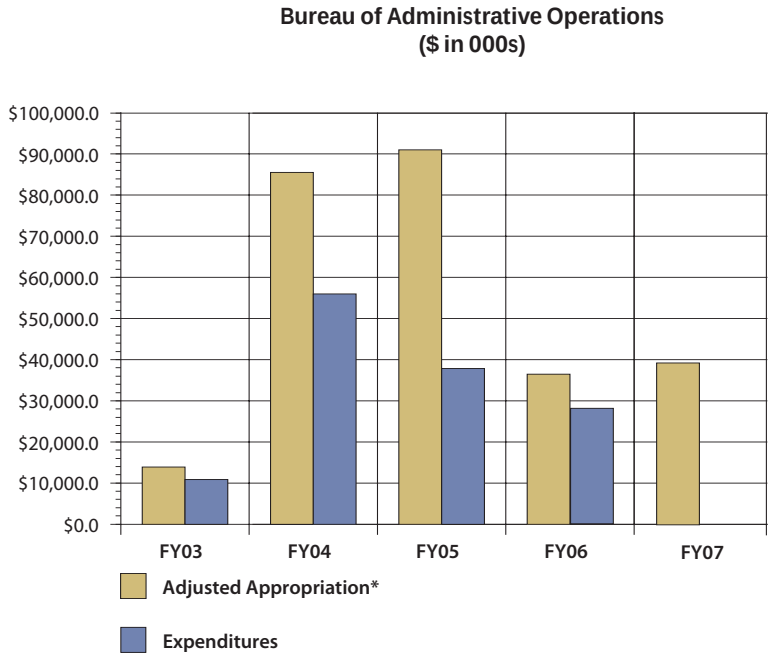
- Includes the Director's Office, Office of Finance and Management, Internal Audit, Governmental Affairs, and Legal Services
- Sets policy and strategic direction for the agency
- Oversees and manages strategic planning and performance management for the agency
- Oversees and manages budgeting, accounting, financial reporting and controls and fiscal planning functions for the agency
- Oversees and manages governmental relations including legislative analysis and liaison functions for the agency
- Oversees and manages legal services for CMS as well as for consolidated agencies
- Oversees and manages internal audit services for consolidated agencies
- Oversees labor relations functions and negotiations for the State

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.



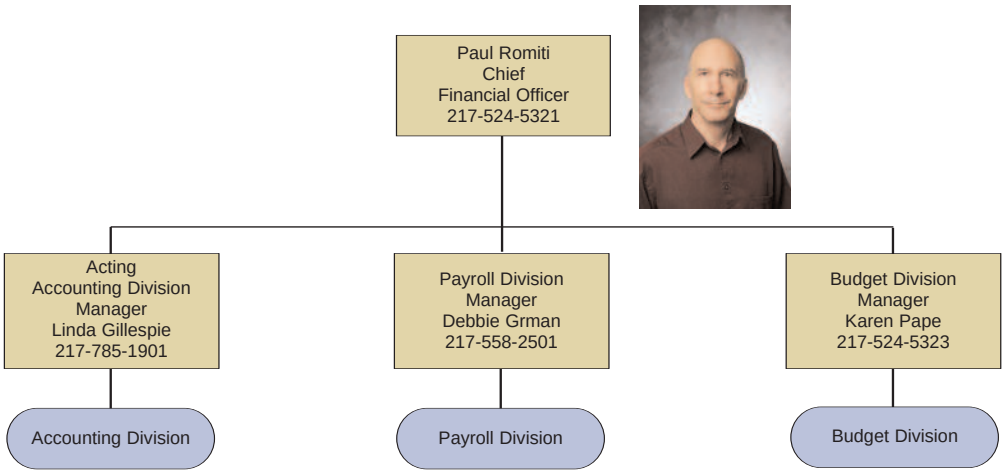
Fiscal Year 2006 brought a significant decrease in appropriations for the Bureau of Administrative Operations primarily due to a reduction in the Efficiency Initiatives Revolving Fund. This Fund had been dedicated to supporting statewide investment functions for the CMS efficiency initiatives, and also served as a repository for the revenues associated with those initiatives. The Fund was further reduced in Fiscal Year 2007 and is expected to be dissolved by Fiscal Year 2009. Overall, the Bureau has a net increase in appropriation for FY 2007 of $2.5 million dollars, primarily due to a budgetary restructuring in support of a planned Shared Service Center for Accounting and Human Resource Management. Appropriations were pulled from various CMS bureaus and fiscally restructured/centralized into the Bureau of Administrative Operations. This Center is expected to be phased in over several years beginning in FY 2007.

HEADCOUNT

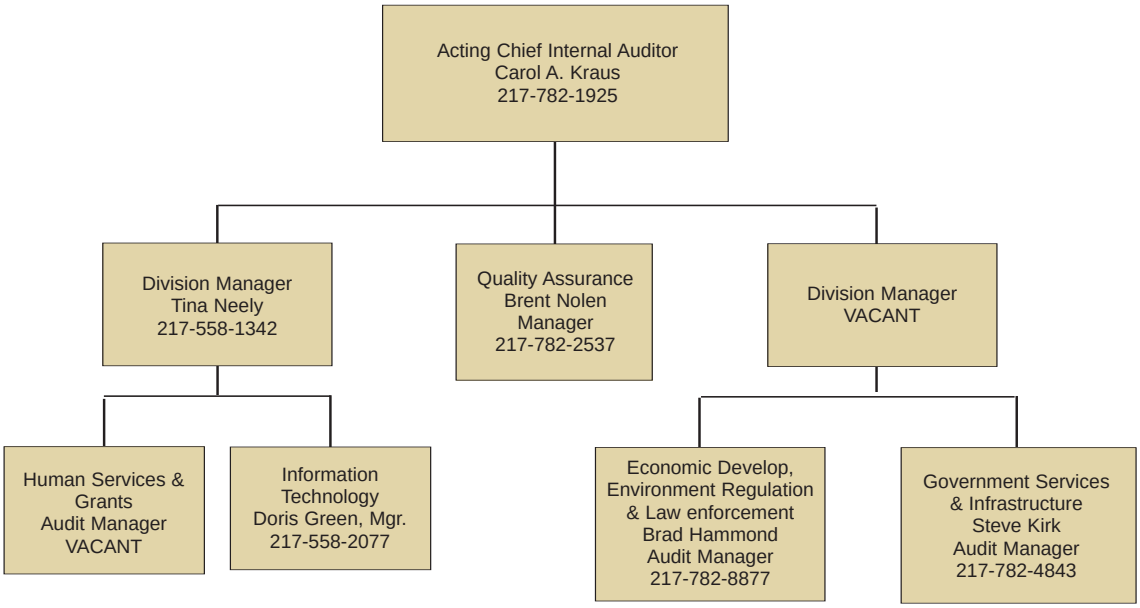
Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Adminstrative Operations	193	205	205	192

The Bureau of Administrative Operations has remained relatively stable in terms of funded headcount. Headcount changes occur each fiscal year and vary depending upon operational need and funding limitations.

OFFICE OF FINANCE AND MANAGEMENT



ILLINOIS OFFICE OF INTERNAL AUDIT



LEGAL SERVICES

General Counsel
Debra Matlock
312-814-2322

Deputy General Counsel
Prop. Mgmt. & Claims
Nick Kanellopoulos
312-814-5259

Senior Deputy
General Counsel
Admin./Support Services
Letitia Dominici
312-814-2268

Acting
Deputy General Counsel
Benefits
Janice Bonneville
217-785-8675

Acting Deputy General
Counsel
Labor Relations
Greg Newton
217-782-6154

Deputy General
Counsel
Personnel
Jeffrey Shuck
217-782-5778

Acting Deputy General Counsel
Communications &
Computer Services
Dominic Saebeler
217-557-7678

Deputy General Counsel
Procurement
Lynn Carter
312-814-1569

OFFICE OF GOVERNMENTAL AFFAIRS

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

Legislative Liaison
Tim Duckworth
217-785-1941

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

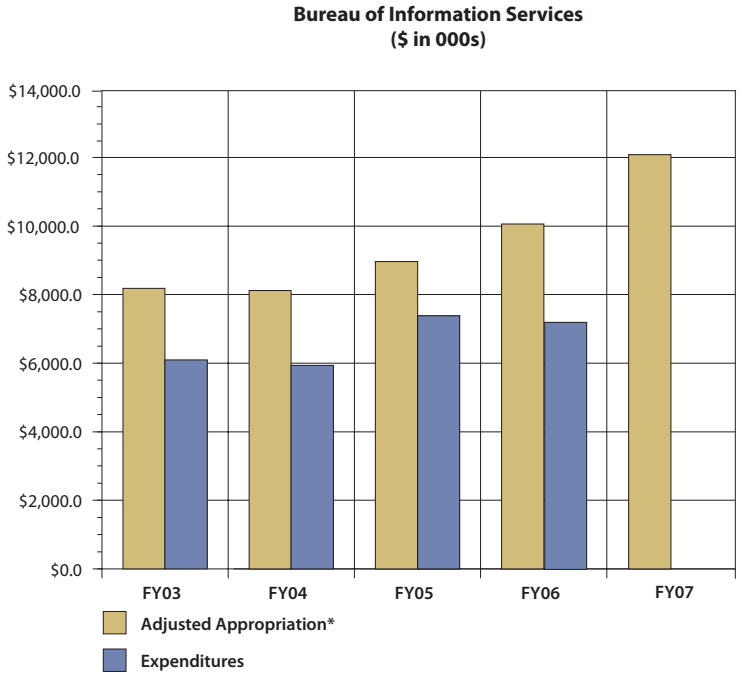
The Bureau of Information Services oversees critical functions related to media communications both within and external to state government, including:

- 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



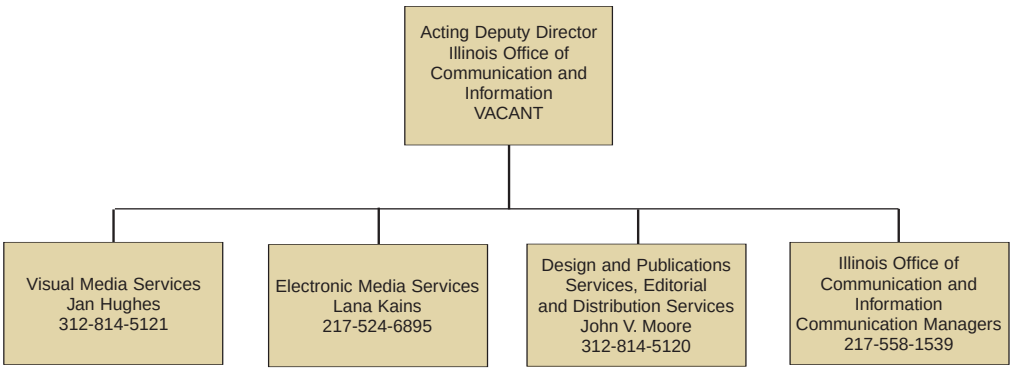
Appropriation levels continued an upward trend in Fiscal Year 2006 as a result of annualizing the Public Information Officer consolidation in Fiscal Year 2005 and the Graphic Artist Consolidation in Fiscal Year 2006. Fiscal Year 2007 appropriation increases reflect maintenance increases and further consolidation planning. Fiscal Year 2007 is a stabilizing year for the Bureau in terms of determining future appropriation needs. Downward adjustments are anticipated for Fiscal Year 2008 to place the Bureau more in alignment to actual spending levels.

HEADCOUNT

The Public Information Officer Consolidation absorbed 30 funded positions into CMS during Fiscal Year 2005. During Fiscal Year 2006, this bureau absorbed 13 funded headcount for the purposes of the Graphic Artists Consolidation. Moving forward, headcount levels are expected to remain stable.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Information Services	58	73	86	82

INFORMATION SERVICES

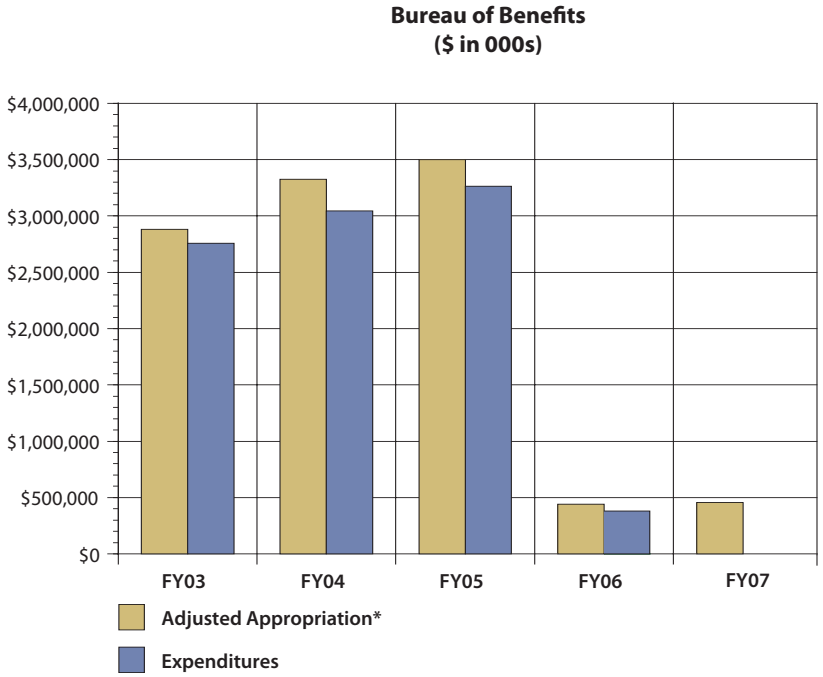


Bureau of Benefits

- 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 an insurance opt-out program for state retirees.
- Administers a Deferred Compensation Plan for state employees.
- Administers a risk management program for state employees that includes workers' compensation (for all entities except University of Illinois and Illinois Toll Highway Authority), auto liability and representation and indemnification
- Administers the insurance procurement program for state agencies

Resources Dedicated to the Bureau of Benefits:

Appropriation



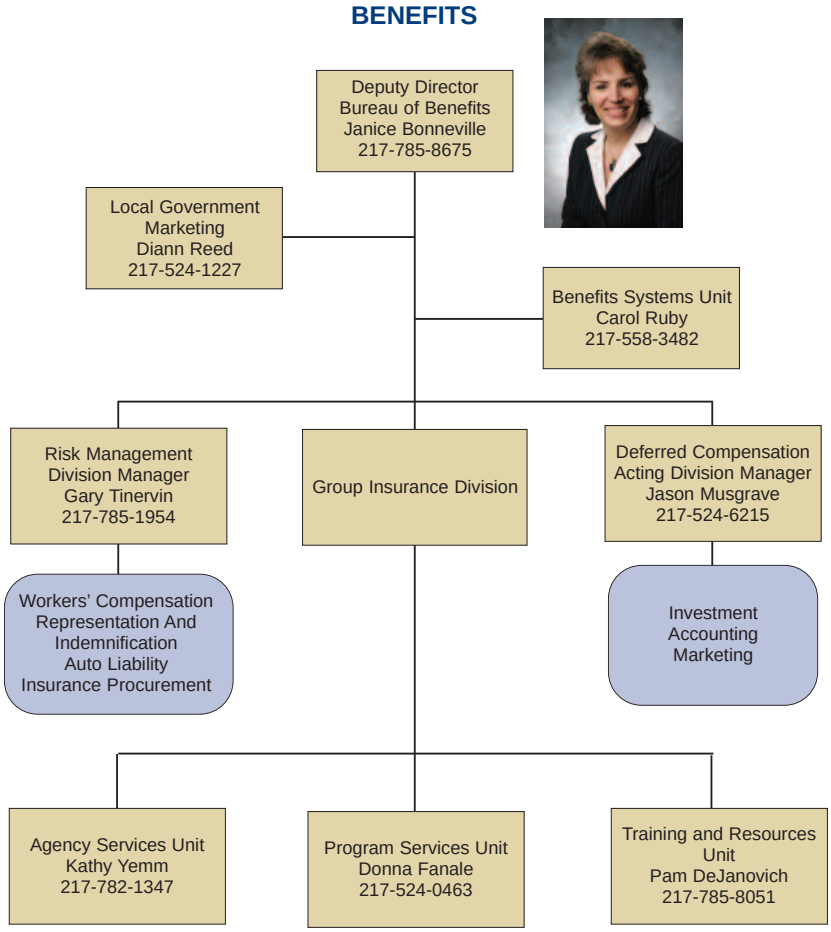
**Adjusted appropriations and expenditures are inclusive of both appropriated and non-appropriated funds.*

In Fiscal Year 2006, CMS experienced a significant decrease in appropriation associated with the consolidation of statewide healthcare purchasing to the Department of Healthcare and Family Services. This reduction in appropriation was valued at $2.6 billion dollars. Fiscal Year 2006 and Fiscal Year 2007 appropriation figures represent more constant and predictable future appropriation levels for the Bureau of Benefits. Moving forward, any significant deviations will be related to the Workers' Compensation program within the Risk Management Division of the Bureau. These fluctuations are directly related to the dynamic changes associated with medical claim and liability projections.

HEADCOUNT

Fluctuations in headcount for the Bureau of Benefits are the result the transfer out of headcount to the Department of Healthcare and Family Services between Fiscal Years 2006 and 2007. Moving forward, headcount levels are expected to remain stable.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Benefits	138	107	128	110

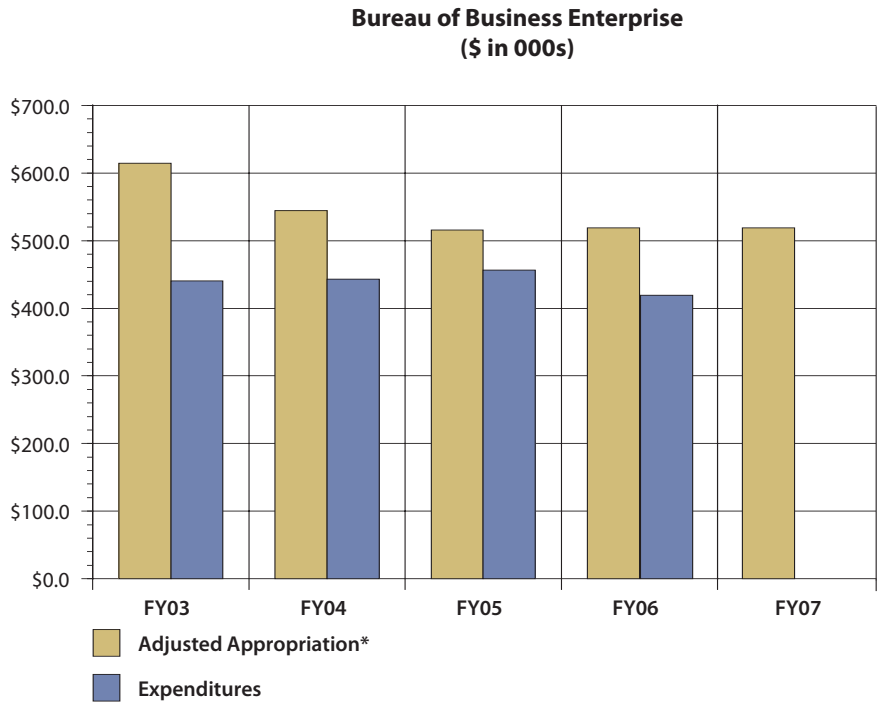


Bureau of Business Enterprise Program

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



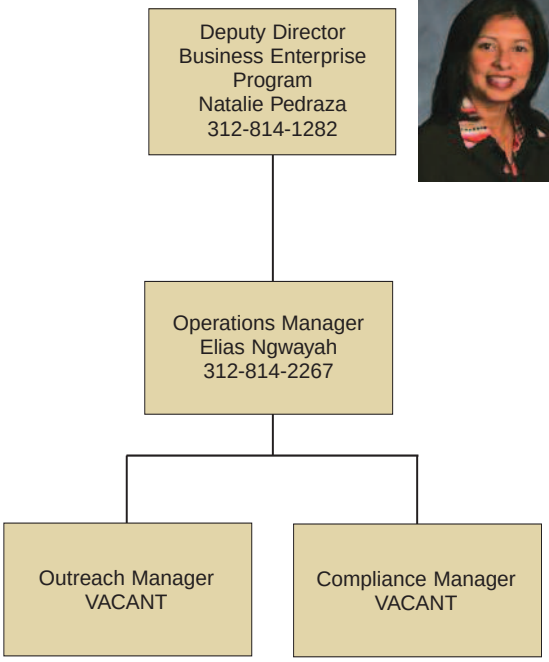
While appropriations for the program have remained relatively stable over many fiscal years with a slight downward trend, growth in this program is anticipated for Fiscal Year 2008. This Bureau, while relatively small in comparison to other CMS bureaus, is an integral part of the CMS mission and has become an area targeted for resource concentration in Fiscal Year 2008. Efforts are underway to implement enhancements to the overall effectiveness of this program and expand its benefits to the State's business community.

HEADCOUNT

Funded headcount levels for the Business Enterprise Program have remained stable over the past several fiscal years. During FY07, funded headcount levels for this Program are targeted to increase to accommodate the expansion slotted for Fiscal Year 2008.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Buiness Enterprise Program	6	6	6	13

BUSINESS ENTERPRISE PROGRAM

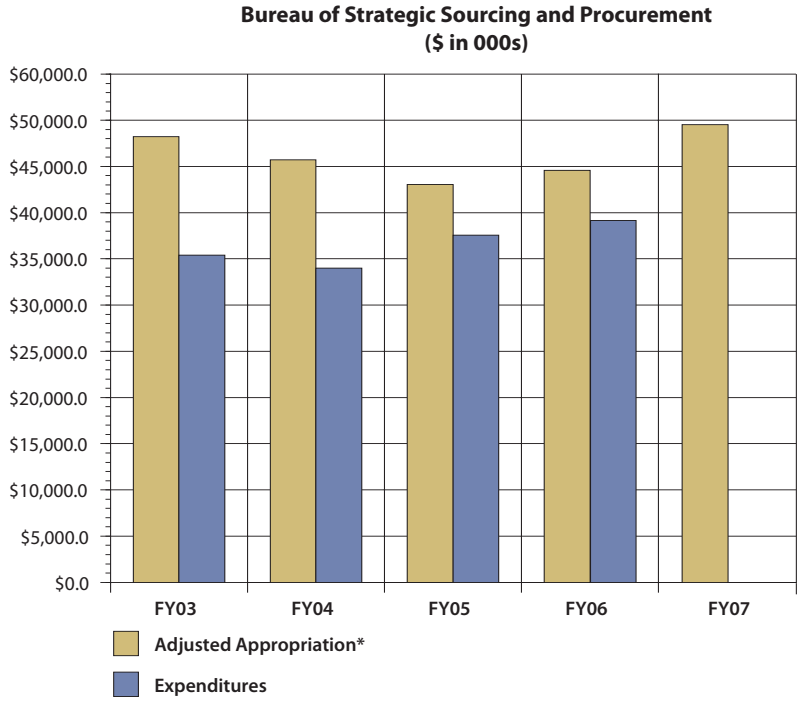


Bureau of Strategic Sourcing and Procurement

- Oversees state equipment, commodities, and service 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.
- 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



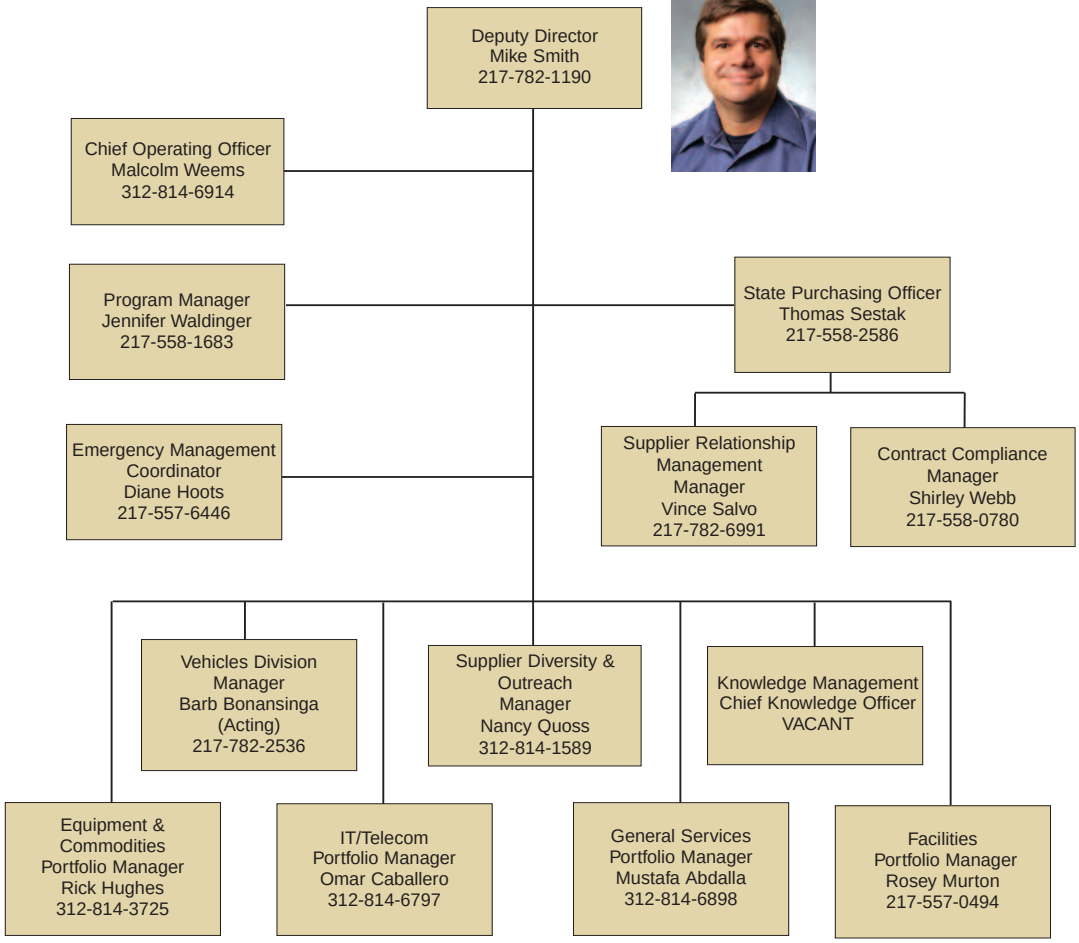
Increases for appropriations within the Bureau of Strategic Sourcing and Procurement for Fiscal Year 2006 and 2007 are primarily related to the Division of Vehicles which manages the State's fleet. The volatility of fuel prices experienced over the last fiscal year has required the Department to increase appropriations to obtain the necessary flexibility to respond to future fluctuations.

HEADCOUNT

The reduction in headcount between Fiscal Year 2006 and 2007 is due to the restructuring of responsibilities within the Bureau coupled with a regular reduction in headcount levels based on need and affordability. Moving forward, headcount levels are expected to remain stable.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Strategic Sourcing and Procurement	243	260	260	228

STRATEGIC SOURCING AND PROCUREMENT

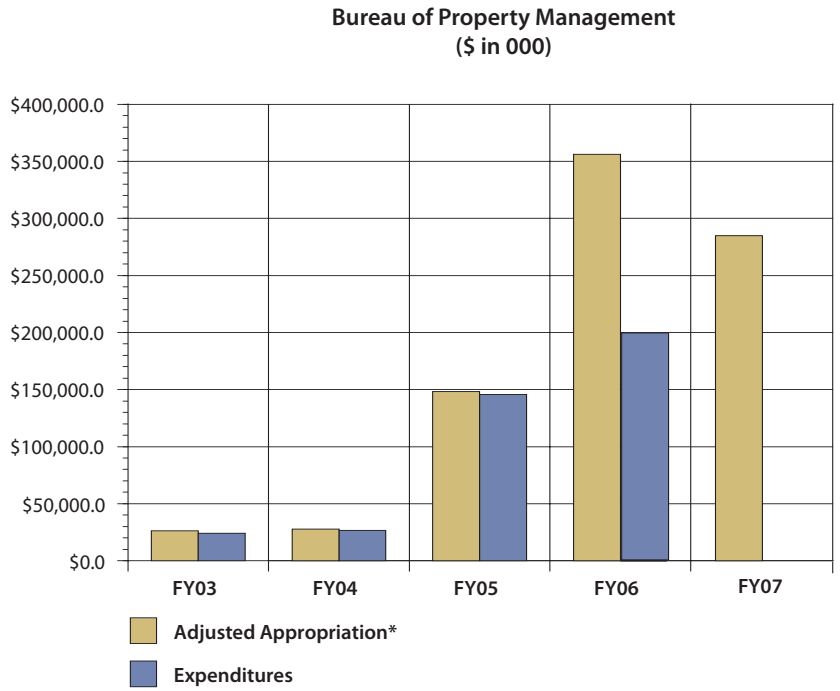


Bureau of Property Management

- Manages real and personal state property to optimize utility and prevent waste.
- Management includes space planning, lease procurement, energy management, preventive maintenance scheduling, and procurement or disposal of real and personal property.
- Administer Special Events at state owned facilities subject to consolidation.
- Coordinate state recycling programs.
- Secure and distribute Federal surplus property.

Resources Dedicated to the Bureau of Property Management:

Appropriation



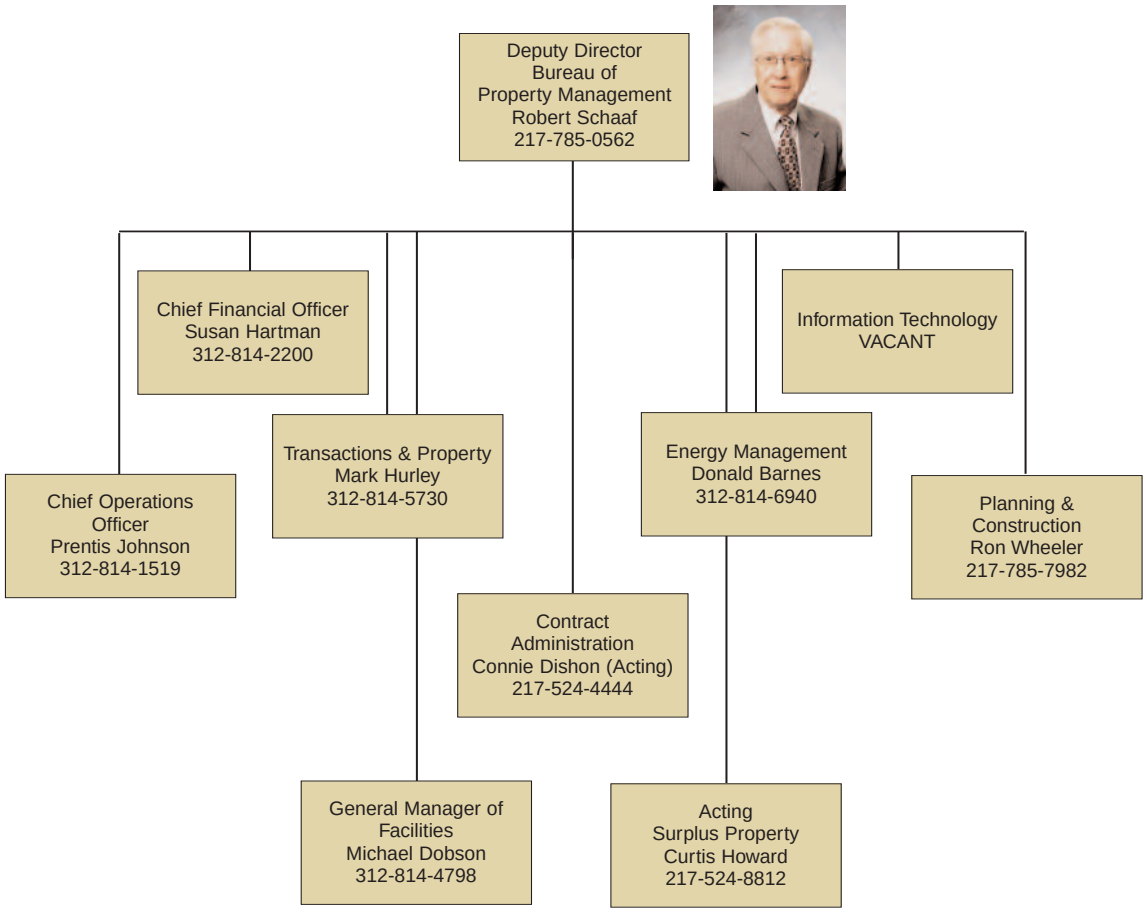
The Bureau of Property Management experienced tremendous appropriation growth in FY 2005 and FY 2006 due to the consolidation of Facility Management functions. Entering Fiscal Year 2007, the Bureau is reducing its appropriations to more accurately reflect actual and projected expenditure levels materializing within the Bureau's consolidated functions. Further reductions are anticipated for Fiscal Year 2008.

HEADCOUNT

Human resources play an integral role in the effectiveness of Facilities Management. The historical headcount growth is a direct result of the facilities consolidation. The reduction of positions from Fiscal Year 2006 to 2007 reflects a more sustainable long-term staffing level for the Bureau. Moving forward, headcount levels are expected to remain stable.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Property Management	145	362	389	353

PROPERTY MANAGEMENT

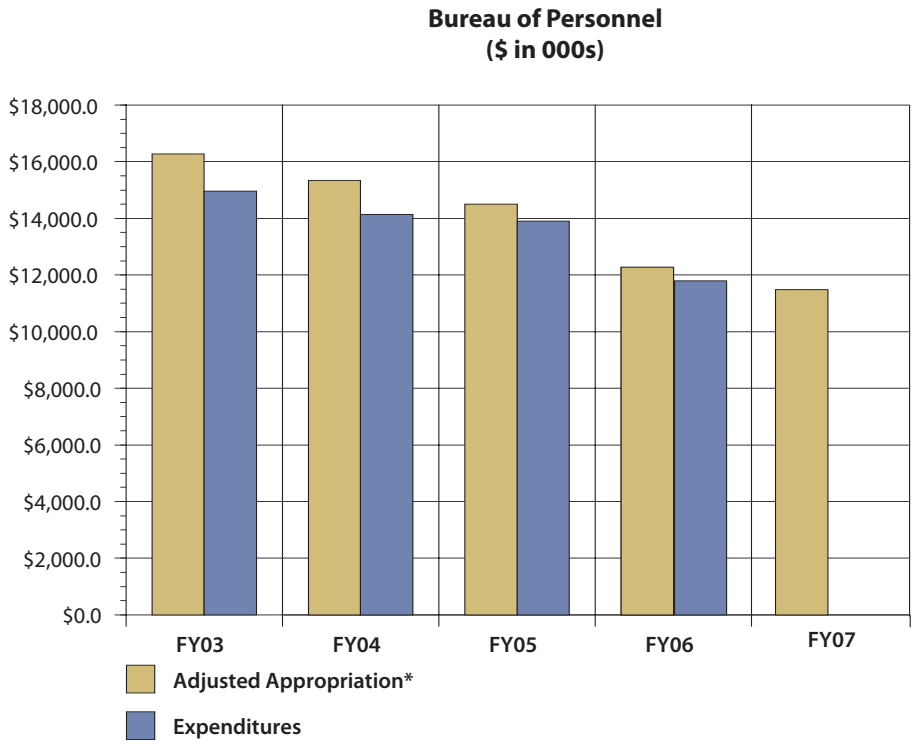


Bureau of Personnel

- 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



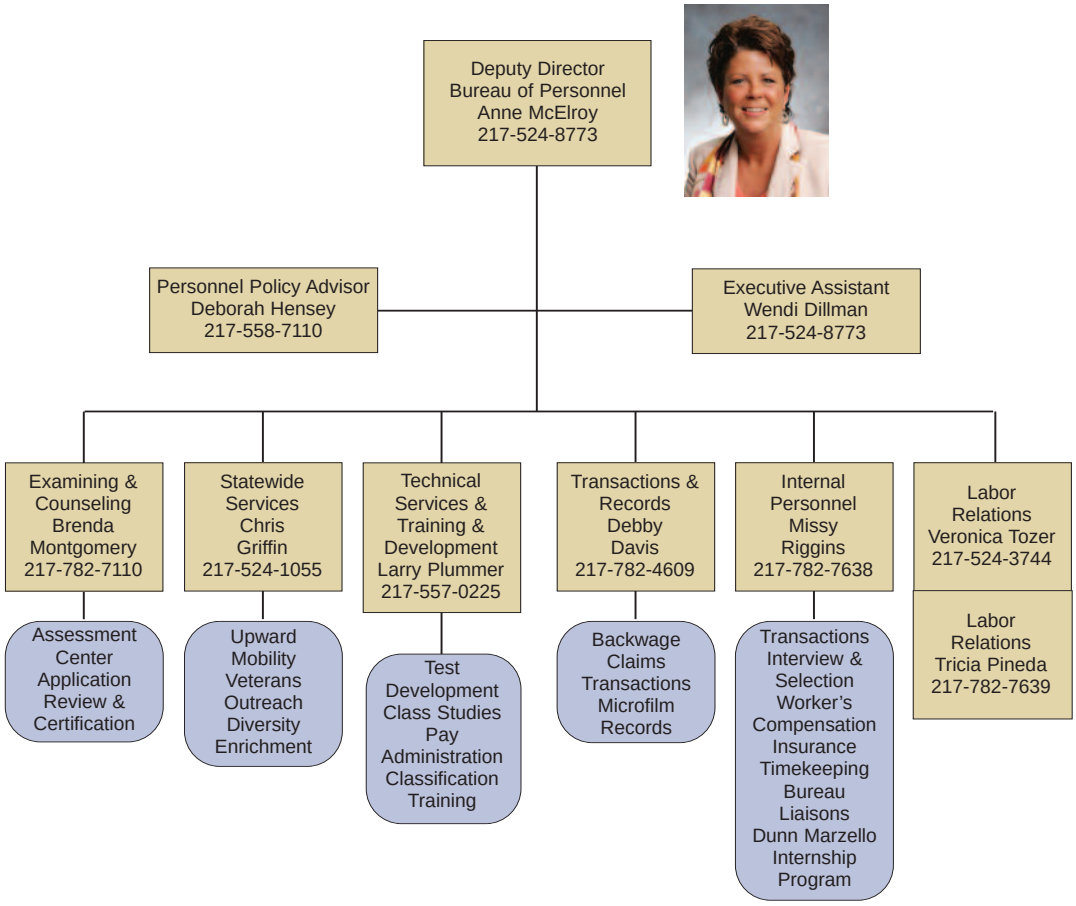
Appropriation levels for the Bureau of Personnel have continued to steadily decline over the past several fiscal years due to budgetary constraints. Appropriation changes in Fiscal Year 2007 are largely the result of the Shared Services fiscal restructuring whereby Bureau appropriations were moved to the Bureau of Administrative Operations.

HEADCOUNT

The reduction in headcount within the Bureau is a combined result of the early retirement incentives, budgetary constraints and headcount restructuring associated with the Shared Services organizational planning.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Personnel	150	142	142	116

PERSONNEL



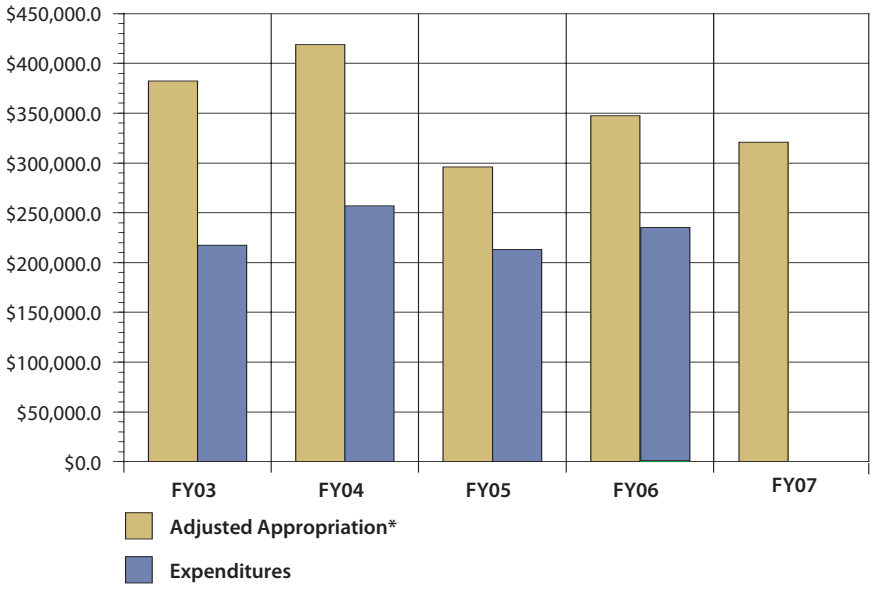
Bureau of Communications and Computer Services

- 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

Bureau of Communications and Computer Services
($ in 000s)



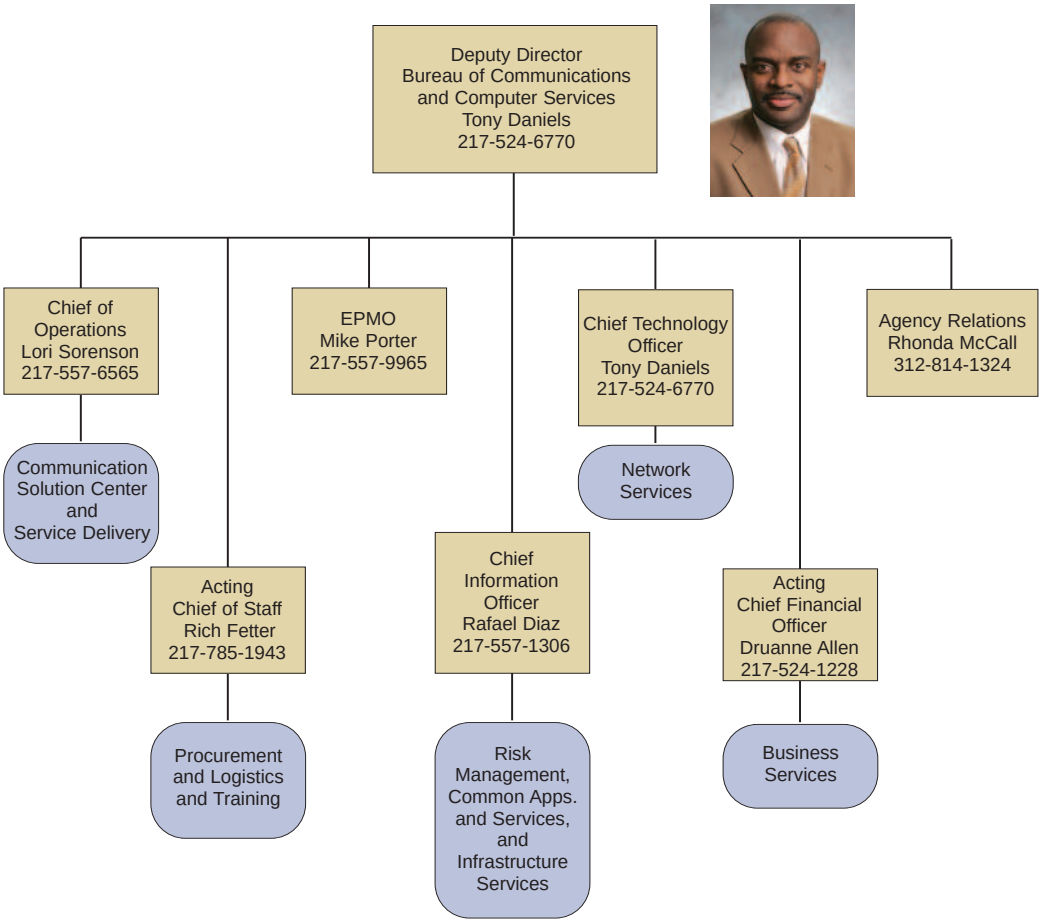
The Information Technology consolidation brought many significant appropriation changes to the Bureau of Communication and Computer Services. The consolidation efforts continued to evolve throughout Fiscal Years 2006 and 2007. While Fiscal Year 2007 shows a significant reduction in appropriation of $24 million, early projections for Fiscal Year 2008 indicate that additional appropriation may be necessary to make crucial Information Technology investments for equipment and software upgrades.

HEADCOUNT

Funded headcount levels have substantially changed over the past few years for this Bureau. Increases in historical headcount growth are attributed to the Information Technology Consolidation. The Bureau has recently experienced some decrease in funded headcount levels to reflect more achievable long-term staffing levels. Continued staffing analysis will be performed as an ongoing exercise to ensure the continued success of the Bureau.

Overall Bureau Funded Headcount Total	FY 04	FY 05	FY 06	FY07
Bureau of Communication and Computer Services	396	874	937	859

COMMUNICATIONS AND COMPUTER SERVICES



Printed by the Authority of the State of Illinois. Printed on Recycled Paper. 500 1/07 5.44 IISG07-596

IIS GRAPHICS 2007